



Is there anybody out there? United States astronaut John Blaha looks out of the Russian space station Mir towards the space shuttle Atlantis yesterday; Blaha is to trade places with fellow astronaut Jerry Linenger Photograph: AP/Nasa

Now Britain faces single European tax system

Exclusive: France and Germany spearhead plan to control revenue and social security

Sarah Helm
Brussels

Plans to create a single European system for tax and social security are being privately prepared in Brussels by a powerful alliance of countries including France and Germany. They envisage control over income tax being pooled by national governments inside the single currency area.

In practice, they are likely to kill off any remaining chance of Britain joining the single currency in the foreseeable future. The plans will be widely viewed in Britain as an attempt by France and Germany to radically alter the fundamental character of the union and the Euro-sceptics will now have new cause to argue that Britain's entire relationship with the EU should be renegotiated.

Paris and now Bonn agree and are seriously contemplating forging ahead with what will be, in effect, a single hard core economy. This thinking is so far ahead of what Westminster has contemplated that it makes British membership of EMU, under a Conservative or a Labour government, very unlikely.

By contrast, France and Germany are spearheading the drive to ensure that powers to build a common economic policy are written into a "flexibility" chapter in the next treaty on European Union union reform, due in June. An official EU report, summarising how member

states view a multi-speed Europe, specifically mentions Economic and Monetary Union as a key area, where some states will want to move faster than others. The report does not directly call for harmonising direct tax and social security. However, according to highly placed sources in Brussels, France and Germany have signalled that they want power to integrate in these areas after the EMU launch.

Common policies on direct tax and social security may not be possible until a few years after the EMU launch, France and Germany concede. But they want the right to go ahead to be written into European law now, as further treaty revisions may not be possible for some time. Other priority areas singled out in the report for faster power-sharing are immigration and criminal justice, environment law, and indirect taxation under the single market rules.

The proposals are being circulated amid intense debate about how Europe can deepen integration without being blocked by Britain or any other members states who oppose further power-sharing. On Monday, member states will hold the first formal discussion on the new "flexibility" chapter. A separate European Commission blueprint for flexibility, to be discussed by the Commission today, also leaves open the possibility of greater economic power sharing under monetary union.

Under the "multi-speed" arrangement, envisaged by the Commission, Britain would not be forced to join the new round of power-sharing, but would be unable to stop other member states moving ahead. The Commission blueprint states that decision on whether core groups share new power in future should be taken by qualified majority vote. A minimum of, perhaps, eight countries would be necessary before powers are shared under the new "flexibility" arrangement, says the Commission.



Ford set to impose huge job cuts

Barrie Clement
Labour Editor

Ford is expected to announce cuts of one-third in the workforce at its Halewood plant today and the end of volume car production on Merseyside.

Union leaders also expect to be told that the plant has failed in its bid to produce the replacement for the Escort model, Britain's second most popular car. The decision would mean that for the first time Ford will have to import more of its cars

for the UK market than it exports. The group already imports all the Mondeos on sale here. Halewood is now expected to build a new "People Carrier" vehicle, based on the Escort. Production of the existing Escort will continue until next year at a reduced rate, and the transmission department will remain open.

It is thought that 1,300 jobs will go, leaving around 3,000 jobs at the Merseyside works, but the end of volume car production marks a sea change in the company's policy towards European production. Management plans will be revealed to senior union representatives today at Halewood by David Gorman, head of manufacturing in Europe. The decision to "down-size" Halewood comes after a series of accusations about the plant's low productivity.

Tony Woodley, National Official of the Transport and General Workers' Union, has threatened to bring Ford production in Europe to a standstill if the company refused to produce the Escort replacement at Halewood.

The Saarlouis factory in Germany and the Spanish plant at Valencia have already been assured that they will be producing the new Escort, due to be launched in 1998. Mr Woodley said yesterday: "I have to go into the meeting believing that it makes no economic or political sense to close Halewood. I am determined to come out of the meeting with a car plant that will continue to produce high volume quality vehicles for this country and Europe."

He warned of co-ordinated union action to save Halewood if necessary. Ian McCartney, Labour's chief employment spokesman, said: "We have already lost 180,000 manufacturing jobs over the past few years in the North-west and this announcement would give the lie to government claims that they have created the investment centre of Europe."

Ford's vehicle production in Britain has declined from 635,000 in 1979 to less than 400,000 last year, while employment at the company's plants in the UK dropped in the same period from 75,000 to 30,000. Employment levels in Germany have remained level at around 50,000.

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100 years on, Country Life puts pearls before swine

James Cusick

It has taken a 100 years, but after a century of rural, upper-crust, traditional, almost Puritan, values, *Country Life* has thrown moral caution to the wind and printed its first "page three" nudes.

With all the shock of a Hawaiian shirt worn for a deer hunt, the magazine famous for its Barbour-clad pin-up draped across a Range Rover has opted to celebrate its centenary with a bevy of beauties wearing nothing but their pearls. A tasteful nipple on page 88 and its accompanying *au naturel* rear view are, according to the editor Clive Aslet, "tantamount to works of art by the photographer, John Swannell".

It may be an old excuse for the insertion of a bit of populist culture, but Mr Aslet insisted: "Look, I felt, here we are in existence for 100 years. And I took the conscious decision to show that we are not as stuffy as people think."

The usual "girls in pearls" portraits were ordered to be jazzed up. "I transubstantiated what I wanted to the fashion editor," Mr Aslet said. "I thought we could make a little play, with girls wearing nothing but their pearls." The fashion spread will either be seen as turning the magazine into *Vogue* for the green welly brigade, or a welcome relief from somewhat Victorian attitudes.

Although the pages of artistic nudity will attract attention, Mr Aslet is also celebrating the centenary with an attempt to predict what the next 100 years of Britain's country life will bring. For a magazine that lives in the past, its special report "A vision of the country AD 2097" makes some remarkable predictions.

Seeing "change more profound than has been seen in this century" the report is a catalogue of economic, social, environmental and cultural warnings. A bad century for the country house means that by 2097 a small rural pad will cost £250m. Increasing numbers of young people will move back into "service" as land and wealth are concentrated in even fewer hands.

The pessimistic analysis envisions "most of the poor living on suburban estates, picking up casual work whenever they can, the rest will be servants for the rich". While Marxists would say "well, no change there", there are still more shocks.



THE TABLOID
Jilly Cooper's music in the key of sex



INTERNATIONAL
How to beat a dictator. Your guide to people power PAGES 14-15

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news

Deadly Scottish virus takes its toll of Forsyth

Something was up. My colleagues from the Scottish press were filing into the gallery (taking a break from their day jobs begging on London street corners, presumably), and the benches were filling up with Scots MPs. When the Secretary of State for Scotland, Michael Forsyth, took his seat, I knew we were in for another bite of E coli 1057, the virulent food organism that claimed the lives of 16 pensioners just before Christmas. A statement was due.

Some English MPs stayed to listen. Eric Marlow, the Labour member for Carlisle, did so presumably because there is little to stop a virus travelling (like Border raiders before it) the short distance between the Scottish lowlands



David Aaronovitch
Tony Marlow stayed, probably under the impression that the E in E coli stands for Europe

and his constituency. Unfortunately for Mr Marlow, he fell under suspicion when a bleep went off in the chamber, followed by a chiming watch. Speaker Betty – a passionate hater of beepers – frowned and Eric blushed, as the guillotine always do, when falsely accused. Tony Marlow (Rampant Europhobe, Northampton North) also remained, sprawled across a bench, probably under the impression that the E in E coli stands for Europe.

The last year has aged Mr Forsyth. When 1996 began he was still an enfant terrible of the right – lacking Michael Portillo's charisma, but making up for it in rat-like cunning and intelligence. Then came Dunblane (which

affected him immensely), the consequent Tory failure to understand the public mood on guns and – finally – the E coli outbreak, which he described yesterday as "one of the worst of its sort in the world". Yesterday, he looked haggard and middle-aged.

True to form, the interim report of the Pennington Group, chaired by Professor Pennington, had been available to the Government on New Year's Day, but to the Opposition only minutes before the ministerial statement a fortnight later. Also true to form, Mr Forsyth's approach was to take every action outlined in the report; to lock, bolt and armour plate the stable door now that the horse had bolted. There would be more

research, more surveillance, more enforcement of hygiene regulations and better handling of the next crisis.

His shadow, the avian George Robertson, was not placated. Had not the same Professor Pennington asked for funding for research last November and been refused? What advice had the Scottish Health Minister (Lord Fraser of Carmyllie) given about the need for public disclosure on affected outlets? "Is this not the classic way this Government treats every crisis it faces – react to events rather than shaping them and always too little, too late?"

But this criticism is universal; under which party have there been no disasters, no tragedies? This is no real-life Dr Finlay plot-line.

where plague comes to Tannochbrae, and is traced to the greedy butcher, the complacent health officer and a basic lack of hygiene.

And Scots perceptions that the tragedy has not received fair coverage simply because it happened in their country, are also wide of the mark. Had 16 Scottish teenagers died, the story would have dominated the London headlines. But no one (except their immediate families) really minds too much if old folk die – living pensioners have a call on our sympathies; dead ones are part of nature's plan. That is why healthy 80-year-olds enter hospitals for treatment to in-growing toenails and emerge dead – and no one bats an eyelid. Or makes a statement.

significant shorts

Gordon Anglesea

The top item in the Significant Shorts column in yesterday's edition referred to a complaint that has been made against the former North Wales Police Superintendent Gordon Anglesea.

We wish to make it clear that the complaint in question does not relate to minors or the untrue allegations of sexual abuse that appeared in television and newspaper reports, including *The Independent* on Sunday, between 1991 and 1993 for which Gordon Anglesea received £375,000 in libel damages.

We also wish to stress that no charges have been brought against Mr Anglesea in respect of the complaint under consideration.

Jail ship needed for three years

Prison overcrowding means a floating jail may be needed for three years, the Prison Service said yesterday. It is seeking planning permission to bring one from the US to Portland harbour, Dorset.

Richard Tilt, the Director General of the Prison Service, said the prison population of England and Wales was approaching 60,000.

He also disclosed that the country's 900 most dangerous criminals are to be concentrated in 13 prisons which will have extra security. Eight that hold category A inmates will be downgraded. The move follows a recommendation in the report into the Parkhurst break-out which called for the most dangerous inmates to be kept in a smaller number of more secure units. *Jason Bennett*

Random tests find Semtex

Two taxis based at Heathrow Airport were found to have traces of Semtex explosive by scientists carrying out random tests.

The discovery, which took the scientists by surprise, came during a Home Office study to assess the risk of innocent people becoming terrorist suspects through accidental contamination.

Traces of the Semtex constituent RDX were also found on a luggage handling surface at Heathrow.

The study, reported in the *Journal of Forensic Sciences*, was conducted by the Defence Evaluation Research Agency's forensic explosives laboratory at Fort Halstead, Kent. A spokesman said: "One possibility is that the taxis had carried a service person or somebody who dealt with explosives in a commercial capacity."

Missing child seen with blond man

A blond-haired young man may have abducted the missing girl Zoe Evans, detectives said last night. Fears grew for her after witnesses told police they had seen her talking to him.

A slim, 5ft 7in tall man with shaven hair was seen walking with Zoe, nine, through a supermarket car park towards the railway station in Warrminster, Wiltshire, on Saturday afternoon. She disappeared from her home in the town on Saturday morning. Another witness saw Zoe shortly afterwards on a footpath. A similar man in a black bomber-type jacket with a "Spiffy" motif on the back was behind her.

Superintendent Colin Dixon, head of Wiltshire CID, said Zoe had not appeared to be distressed. But he added: "As every day passes we are growing more concerned." Police urged anyone who saw her with the man to contact them on 01380 722341. A big search continued.

'Break-out kit' smuggled in

Equipment was smuggled into a new maximum security jail to enable six prisoners to break out, Woolwich Crown Court, London, was told yesterday.

They cut through two fences and climbed two walls to escape from Whitemoor jail, Cambridgeshire. All were recaptured with the help of a heat-seeking helicopter.

Liam Magee, 48; Liam McCotter, 33; Daniel McNamee, 36; Laim O'Duibhir, 34; Peter Sherry, 31; and Andrew Russell, 34, deny escaping and possessing two guns with intent to endanger life. The hearing continues.

Sperm ruling delayed

Judgment was reserved in the Court of Appeal hearing over the refusal by the High Court to allow Diane Blood to use sperm taken from her dying husband for artificial insemination. The Master of the Rolls, Lord Woolf, said there were "difficult points for consideration".

Ad downed

A complaint about a beer advertisement brought by the European Commission and the European Movement has been upheld. The Advertising Standards Authority said the advertisement for Beck's Bier, which accused Brussels of interfering with the kind of water that could be used to brew it, was misleading.

Ministers deny spiking Diana's mines campaign

Colin Brown
Chief Political Correspondent

The Government was forced into an embarrassing retreat yesterday after reports that a minister described the Princess of Wales as a "loose cannon" for backing the Red Cross campaign for a worldwide ban on landmines.

The Ministry of Defence was plunged into a rearguard action after it became clear that the criticism of the Princess, as she posed with children maimed by land mines, threatened to rebound on the Government. There was disarray in government ranks as a former minister, Sir Peter Viggers, compared the Princess's campaign against landmines with Brigitte Bardot's support for stray cats.

The Foreign Secretary, Malcolm Rifkind, stepped in to make it clear that the Government had no quarrel with the Princess. As the search at Westminster continued to find the culprit, Earl Howe, a junior defence minister in the Lords,

owned up to having lunch with two journalists. But the Earl denied all knowledge of the remarks, reported to have been made over hors d'oeuvres at Simply Nico, an expensive London restaurant used for off-the-record meetings.

Earl Howe, 45, a member of the Curzon banking family, has hitherto avoided publicity. "He is not someone who would be indiscreet. He has not got a lot to be indiscreet about," said one Lords insider. "He is very mild-mannered and at parties doesn't turn his nose up at talking to minions. He certainly would not be someone who had an axe to grind. He might be a bit ineffectual but he isn't someone who is hard enough to grind axes, even in private."

Meanwhile, Princess Diana, who is in Angola on a four-day visit, brushed aside the criticism and said: "I am only trying to highlight a problem that is going on all around the world – that's all."

She flew to Kuito, believed to be the most mined town in the world,

and walked its streets, which have been all but destroyed by the country's civil war. All around were minefields – the Princess was warned not to step off the polished tarmac roads and paths.

De-mining experts from Britain's Halo Trust were nearby, painstakingly clearing a small area of land. She then flew on to Huambo, where she walked down a narrow corridor cleared through a minefield after donning an armoured vest.

Mr Rifkind told the Commons: "We support a multilateral, universal ban on landmines. That is a policy which has been called for from a number of quarters and we welcome the support given to that policy as does the Red Cross."

The British Red Cross Director General, Mike Whillman, travelling with the princess, dismissed the controversy as "a bit of mischief ... It would be really awful if this visit went sour because of something going on in London."

Attempting ban would be futile

Jojo Moyes

Banning landmines, which injure or kill 65 people every day, would prove more dangerous than regulating them, according to an expert.

There are thought to be more than 110 million worldwide, although stocks of old-style mines, which remain live for up to 100 years, are being replaced with self-destruct devices which deactivate after a certain length of time.

The places worst affected by landmines are Afghanistan, Cambodia, Angola and the former Yugoslavia. For every mine cleared at a cost of £500, 20 more are laid. Last year, 100,000 were removed

while 2 million were planted. Mine clearance is a dangerous and lengthy procedure and in places such as Angola, the clearance rate can be as slow as 3-5 sq km per day. It has been calculated that it would take 4,000 years to clear the mines in Afghanistan.

International pressure led to an agreement last May to ensure future mines contain eight grammes of iron to make them easier to trace, and be either clearly marked, or fitted with a self-destruct device.

According to the expert, who asked to remain anonymous, there are two big problems with these "smart" models. The first was reliability. "If you think about the

conditions in which they might have to work – they might have to be dropped from an aeroplane – is this mechanism going to work?"

The second was cost. "The cheapest mines are maybe \$3. If you said to the Chinese, for example, 'you must have these things, they'll only add \$15 to the cost', I can tell you what they'd say."

Cheaper, and potentially more reliable possibilities included the use of corrosion or biological decay.

Campaigners lobbying for a global ban dismiss the new agreement. It will not be reviewed for five years, in which time an estimated 130,000 people will have suffered fatal or serious injuries.

Fog everywhere. Fog up the river, where it flows among green aits and meadows; fog down the river, where it rolls defiled among the tiers of shipping, and the waterside pollutions of a great (and dirty) city. CHARLES DICKENS, BLEAK HOUSE



Joggers ran into Dickensian fog in Hyde Park, London, yesterday as weather conditions all over the country deteriorated. Visibility was down to 15 metres in some places; football matches had to be postponed and traffic slowed as roads became hazardous. Photograph: Greg Bos

Rush for the sun, page 4

Labour claims Tories will extend VAT to food

Anthony Bevins
Political Editor

Labour claimed last night that another Tory government would slap value-added tax on food, adding £10.50 a week to the average family food bill.

Tony Blair yesterday told the Parliamentary Labour Party: "It will mean they will stop at nothing. They will think there

is nothing to stop them extending VAT. Last time, they said they would not put VAT on fuel ... But they did just that."

Today, Labour will spell out that warning with a new poster campaign. The poster shows a hand breaking an egg, accompanied by the message: "Next Tony tax? £10.50 a week VAT on food. Enough is enough."

The Conservatives yesterday held a press conference heralding the latest fall in unemployment, warning that if Labour were elected it would threaten the increase in employment.

But the Labour attack on tax will be as potent, given the record of the last election campaign, when John Major said he had no plans to extend VAT coverage – before extending it to domestic fuel and power bills.

Today, Labour will produce a letter from Kenneth Clarke, Chancellor of the Exchequer, in which he said last month: "I can only reaffirm that I have never promised not to extend the scope of VAT."

The Government's Commons difficulties were aggravated last night when an all-party select committee broke up without reaching a decision on

the balance of power in the committee that will scrutinise the Finance Bill.

Ministers have argued that in spite of the fact that the Government has no overall majority following the death of Wirral South Tory MP Barry Porter, it should maintain a majority in the Finance Bill committee because Wirral South counts as a Tory seat until a by-election de-

cides otherwise. That point was not agreed by last night's meeting of the Committee of Selection, and the issue will now have to be resolved by a vote of the whole House.

As it would not be in the interests of the Ulster Unionists to back the Government in that vote, the result could be touch-and-go.

Surviving the vote, page 8

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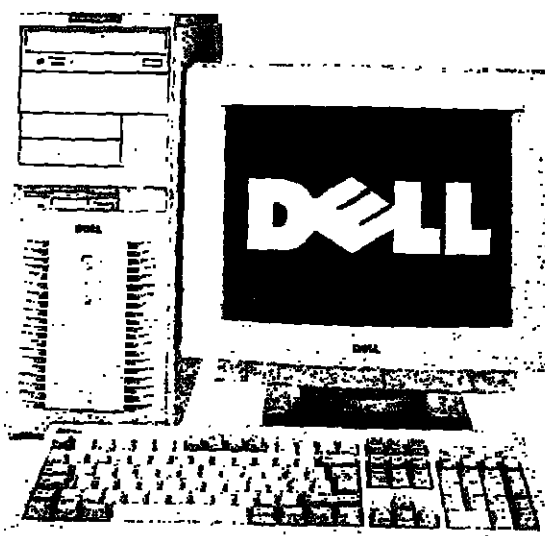
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مكتبة الامم

He did it for Alvin Stardust and Chris Rea: can he do it for Blair?

Millionaire businessman revealed as driving force behind Labour's controversial 'blind' fundraising trust



Christian Wolmar
Westminster Correspondent

Michael Levy is an almost legendary figure in the Jewish community with a reputation as a brilliant fundraiser and successful businessman. A millionaire, he made a fortune from the record business helping to launch the career of a string of artists from Alvin Stardust to Chris Rea, and now drives a Bentley and owns luxurious homes in north London and Israel.

He is also close to Tony Blair and his chief fundraiser, having persuaded the rich to part with hundreds of thousands of pounds in the cause of getting the Labour leader elected.

He was the force behind the "blind trust" set up to allow benefactors to make anonymous donations to Labour. The same trust is now the subject of an investigation by a powerful Commons committee of MPs. Mr Levy sold his record business in the late 1980s, and devoted much of his time to a string of Jewish charities, particularly as chairman of Jewish Care which is Britain's largest

private welfare organisation. It was a chance meeting with Mr Blair that led to his involvement in Labour fundraising. Mr Blair became a regular tennis partner last summer at Mr Levy's home in Tottenham, north London, and the two have become personal friends.

But inevitably, he has been drawn into controversy. Mr Levy's refusal to discuss anything about his Labour Party role. The blind fund was created when John Smith was leader, but its very secretiveness has rebounded on Labour which traditionally has been much more open in its fundraising efforts to disclose details of any donations.

Its existence led to the departure from Labour's fundraising team last year of Henry Drucker, the US-born academic, who had been credited with raising £340m for Oxford University. Mr Drucker wanted to close the blind fund - arguing that it was a Labour "own goal" and would prevent him reaching his own target of £6m - but this view was dismissed by Mr Levy in a stand up row.

Mr Levy is one of Labour's



Michael Levy (above) who was instrumental in the musical careers of Kylie Minogue (top left) and Alvin Stardust (right)

four-strong committee of fundraisers named late last year as Bob Gavron, the millionaire publisher who donated £500,000 to the party, Lord Attenborough and Tom Sawyer, the party's general secretary.

As well as raising money for the controversial blind fund, Mr Levy concentrates on raising big amounts for the party, involving cheques of £20,000 or more. Smaller sums are dealt with by an assistant who works in Mr

Blair's office. Mr Levy operates from his home in Tottenham. In his mid fifties, he is widely described as personable, with immense charisma and charm, but he is also known to have a fierce and ready temper.

Whether raising money for Jewish charities, or the Labour Party, Mr Levy adopts the straightforward American method of getting people to give, rather than the normally more reserved British style. As



one donor put it: "He has a very blunt approach. 'How much can I put you down for?' is his standard approach. And it is highly successful."

Indeed, the success of Mr Levy's approach was typified by the story of Leslie Silver, the former Leeds United chairman, who was persuaded to give £25,000 to Labour late last year. Mr Silver was not a member of the Labour Party but had always been sympathetic and gave the money after Mr Levy approached him.

Friends say that Mr Levy, who was brought up in Hackney, east London, has always had left-wing sympathies. However, he only recently became a Labour Party member, having been attracted by Labour's more conservative policies.

He sold his old company, Magnet Records, to Warner Brothers in 1988, and now has a new business, M&G (for Michael and Gilda, his wife).

He helped launch the careers of such artists as Alvin Stardust and Chris Rea, and Pete Waterman, the millionaire record producer who masterminded the singing career of the Aus-

tralian soap star Kylie Minogue.

Mr Waterman is effusive about his mentor, despite the fact that the two had many blinding rows: "He saw me as a DJ in Coventry and brought me down to London and offered me £100 per week which was more than double what I had been getting. Then a few weeks later, he said he felt guilty about paying me so badly and promptly doubled it to £200. He is the greatest businessman I have ever worked for."

Mr Levy gave Mr Waterman money to buy a suit, but then made him get rid of it saying it made him "look like my bank manager". Mr Levy was always the "straight" money man, leaving the creative side to producers and recording artists.

Mr Waterman says that Mr Levy was a demanding but rewarding employer: "We had some fabulous rows, but if one stood one's ground, he would back you to the hilt afterwards. It was as if he was testing you."

"If Michael takes an interest in an issue, he will deliver. The Labour Party are lucky to have him."

US broker to sell babies to British

Liz Hunt
Health Editor

The Department of Health warned last night that it may take legal action to stop an American "rent-a-womb" baby broker recruiting childless couples in the United Kingdom.

This follows advance publicity for a visit to London by Bill Handel, a lawyer and founder of the Center for Surrogate Parenting & Egg Donation in Los Angeles.

Six couples are signed up so far for Mr Handel's weekend seminar at the Hilton Hotel on 1 and 2 February, when he will discuss their going to Los Angeles to procure eggs or surrogate mothers. The centre's psychologist and lawyer will also take part in the discussions.

The total cost of a baby born in the United States to a surrogate mother from the centre is

put at between £30,000-£40,000. The cost of a donor egg for women who can carry a child but do not produce their own eggs is about £6,000, excluding medical, legal, and travel expenses.

Health ministers were last night seeking clarification from government lawyers on the Surrogacy Arrangement Act 1985 which forbids a third party other than the intended parents or the surrogate mother from working "on a commercial basis to negotiate or compile information" for surrogacy arrangements. Private arrangements between a couple and a woman willing to be a surrogate are not illegal.

Mr Handel could be arrested if he openly touted for business or advertised his services. However, he is publicising the visit without paying for advertising, and a press release issued yesterday by his spokesman Mark Williams is within the law.

Mr Handel says that the seminar is for the benefit of six invited childless couples who approached him initially.

Couples who use Mr Handel's agency in Beverly Hills can choose a surrogate mother or egg donor from a list of 250 women whose pictures and details are supplied. The women are picked for their intelligence, looks, and health. US law differs from British law in that surrogate mothers normally have to hand over the babies they give birth to.

Mr Williams said last night: "[Mr Handel] is coming over to meet six couples who have been in touch with him several times over the phone. He is not coming here to walk around with a banner on his head saying 'do you want a baby?'. The publicity is to provide information. These people who need children might have tried every other option." He said



Handel: List of 250 mothers

other couples were free to turn up to the seminar if they first contacted the centre in LA and received an invitation.

A DoH spokesman said: "We cannot stop couples going overseas to have a surrogate baby. But under the law in this country agents or individuals other than the surrogate mother or intended parents are prevented from acting on a commercial basis."

He added that "we may possibly want to take action but it is too soon to say what that will be. We will watch events very closely over the next few days."

The television chat show is re-invented - warts and all

Marianne Macdonald
Media Correspondent

The latest incarnation of the chat show format was announced by Channel 4 yesterday. The new programme will combine the traditional ingredients of a celebrity presenter and star guests, with fly-on-the-wall footage of the backstage production team.

The new show comes as a replacement for the axed Gaby Roslin talk show, which got into difficulties after its presenter refused to plug the films and books of celebrities.

The show, hosted by the bear-like stand-up comedian Bob Mills, has been given the Gaby Roslin show's old prime-time slot: 10.30 on Saturday nights.

The programme, which shows the staff trying to put the show together as well as the resulting interviews, was devised by executive producer Jeff

Pope, who sold the idea to Channel 4 after gatecrashing a lunch with one of its commissioning editors.

Mr Pope came up with the idea after working on *Richard Littlejohn Live* and *Uncut* and *The Late Jonathan Ross*. He said: "It was while doing it that I realised that a talk show office is one of the greatest soap operas there is."

"The traditional chat show is pretty much dead in the water. People have got more sophisticated and this show offers something different."

The show's presenter agreed. "I think the traditional chat show lost its way in that people have moved on from the Michael Parkinson style of show in which famous people just come on and chat for a certain length of time."

The idea is that *The Show's* team will provide the entertainment just as much as the star

guests. The pilot shows Mr Pope tearing his hair out as the programme overruns. Mr Mills plotting behind his back about what to wear and one guest, a teacher who sang a song, asking that any record companies which ring up as a result be given her home number.

Nothing will be sacrosanct judging by the pilot, which did Mr Pope and Mr Mills no favours. The host was filmed picking his nose and scratching his armpits, and Mr Pope was shown cursing furiously as he raced to reception because no-one had bothered to meet a star guest.

At one point he told the cameraman to stop filming but he refused. Channel 4 are adamant the show will pull no punches; all the staff took the job in the knowledge that no prisoners would be taken.

Expect to see a lot of 25-year-old researcher, Rosie Lachetti.

"She's very young and very free and very single," Mr Pope explained. "We were waiting on an answer for our request to interview Terry Venables and her phone rang and she sounded really pleased. So the cameras zoomed in and she wrote on a post-it note: 'Go away. This is the bloke I picked up last night.'"

The hour-long programme, starting on 1 February, will alternate between studio interviews backstage footage - a formula that could repeat the success of other warts-and-all documentaries such as *The House*, a recent series about London's Royal Opera House.

Both Mr Pope and Mr Mills, who resemble a Laurel and Hardy double-act because of their respective weights, acknowledge they may not be flattering themselves. "I look terrible backstage," said Mr Mills.

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Cards

news

Officials are shot in serving eviction order

Alan Murdoch
Dublin

A county sheriff and two officials were shot and wounded yesterday as they arrived at a house in Ireland's border country to serve an eviction order.

They were accompanied at the bungalow three miles from the village of Bawnboy by three gardai, who quickly summoned armed colleagues from Cavan. The man responsible for the shootings is believed to possess a number of guns including one legally held firearm.

The shootings happened just after midday, shattering the peace of the serene lakeland country beside the forested slopes of Slieve Rushen mountain west of Ballyconnell.

Further shots were heard at around 1.30pm, apparently intended as a warning to gardai not to approach.

Gardai said the gunman was a German national in his forties

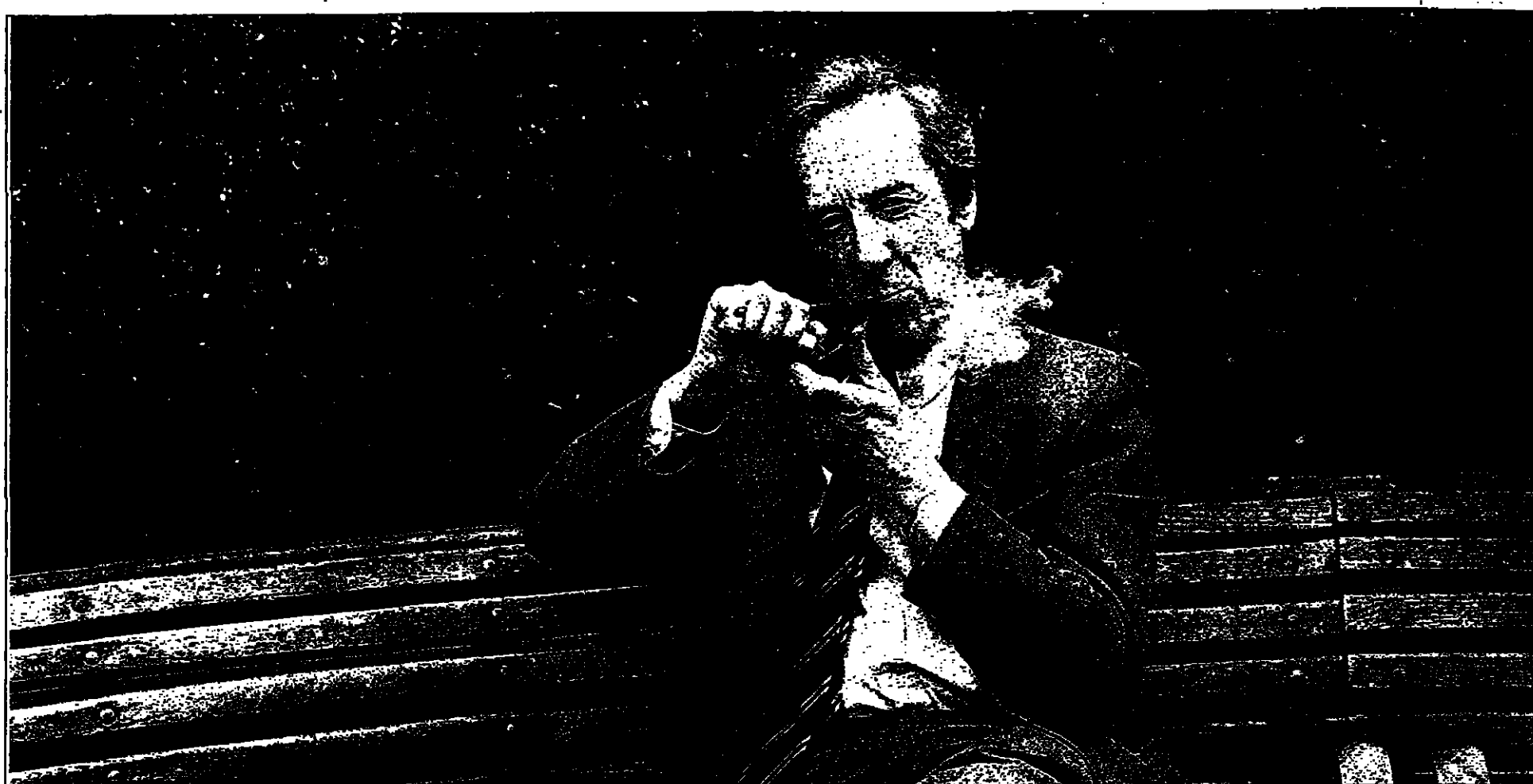
who lived at the house with his elderly mother, who is seriously ill with cancer.

Locals said he was a former employee at a Wild West-style ranch adventure centre owned by an Austrian businessman, who is also the legal owner of the farm and was seeking to regain possession of the property. The eviction move followed the failure of efforts by local people to settle the tenancy dispute.

The wounded men shot suffered superficial arm and legs injuries and were later said to be out of danger in hospital.

Gardai negotiators were last night talking to the man by telephone from a neighbouring house. They described the situation as "very volatile".

Supt Patrick Browne, in charge of the siege operation, said: "I would appeal to him to come out and let us help him and help his mother get medical attention. This is very traumatic for her too."



Sedentary pleasures: Novelist Malcom Bradbury in London yesterday after receiving the Pipesmoker of the Year award from the Pipesmokers' Council. Photograph: David Rose



Words don't come easy.

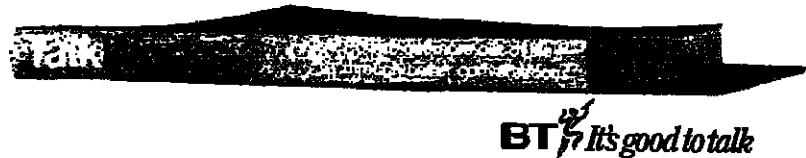
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BT It's good to talk

Liverpool star 'saved goals by instinct'

Michael Streeter

The ex-Liverpool goalkeeper, Bruce Grobbelaar, failed to fix two Premier League soccer matches because his instincts as a professional athlete took over and he made a series of "blinding" saves, a court was told yesterday.

The jury at Winchester Crown Court was shown video extracts showing how Grobbelaar, 38, now with Plymouth Argyle, made the saves while playing for Liverpool in two matches against Manchester United and Norwich City in 1994. Both matches resulted in draws.

David Calvert Smith, QC, said Grobbelaar told his friend Christopher Vincent of his dilemma after being asked to throw matches so that a Far Eastern syndicate could bet safely on the outcomes.

"I'm my own worst enemy on that point because I know I do not like to lose. It's instinctive," Grobbelaar allegedly said. The goalkeeper also told Mr Vincent that he had lost the chance to earn £125,000 from the syndicate because of the 3-3 draw with Manchester United on 4 January.

Grobbelaar, who with former professional footballers John Fashanu and former Wimbledon goalkeeper Hans Segers, is accused of corruptly trying to influence football games, told Mr Vincent in a taped interview how he had done his best to affect the Manchester United result.

"In the second half I made a two blinding saves, because I was diving the wrong way ... it fucking hit my hand," Grobbelaar is alleged to have said.

The video extract showed the goalkeeper stopping shots from United players Ryan Giggs and Roy Keane. Another extract showed Grobbelaar saving against Norwich City striker Jeremy Goss in a 2-2 draw. Grobbelaar reportedly told Mr Vincent that the ball had simply hit his feet.

The jury also saw how Grobbelaar failed to save a shot while playing for Southampton in September 1994 against Coventry, a game his side won 3-1. "... I pushed the ball into the back of the net ... and then we came and steam-rolled [them]."

Zimbabwean international Grobbelaar, former Aston Villa striker Fashanu, 33, and Malaysian businessman Heng Suan Lim, 31, all deny giving or receiving money for influencing the outcome of football matches in a corrupt conspiracy, or using the money as a reward. Dutch-born Segers, 34, Fashanu and Mr Lim deny a similar charge. Grobbelaar denies a separate charge of accepting £2,000 from Mr Vincent as an inducement or reward to influence a match, in a "sting" operation carried out by *The Sun* newspaper.

Mr Calvert Smith said that during this sting, the newspaper had taped Grobbelaar, in conversation with Mr Vincent, during which his alleged admissions were made. The frequency of telephone calls between Grobbelaar and Mr Lim - allegedly the representative of the betting syndicate - just before and after matches showed the operation of what Mr Calvert Smith described as a "corrupt scheme". The night before the Norwich game there was evidence that Grobbelaar had crept out of the team hotel to meet Mr Lim at the Hilton hotel in Park Lane, London, to receive £500 to "cover expenses".

It was important, to the case, said Mr Calvert Smith, that there was evidence of a cooling off between Lim and Grobbelaar after the goalkeeper's failure to help Liverpool lose against Manchester United and Norwich.

The alleged scandal only came to light after *The Sun* published its allegations made by Mr Vincent, a former business partner of the goalkeeper, about the fixing of matches. The case continues.

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news

Scientists predict CJD deaths for 30 years

Charles Arthur
Science Editor

New scientific forecasts suggest the true figure for those dying of the "new variant" of Creutzfeldt-Jakob disease (v-CJD) - the human form of "mad cow" disease - will probably lie between 1,000 and 10,000, and may be spread over the next 30 years.

But Peter Smith, a member of

Seac, the government's advisory body on Bovine Spongiform Encephalopathy (BSE) and CJD, and also one of the authors of the new research, said yesterday that it could take up to four years before a clear picture emerges of precisely how many people will eventually be affected. "But the longer the numbers of cases arising remains small, then the sooner we can rule out the worst case," he said.

Recent data from the CJD Surveillance Unit, where two of the research authors work, suggested that the number of "suspected" cases of v-CJD was not large, he added. "The signs are encouraging, but it's too soon to be enormously encouraged."

Hours before the research was released yesterday, the Government said that it would more than double the funding for research into BSE and CJD over

the next three years, providing an extra £17m of new funding in the latest science budget, to raise the total three-year funding to £30m. Departmental sources insisted last night that the timing was accidental.

Details of some of the research findings, including the forecast of a total death toll of hundreds of people, were revealed exclusively by *The Independent* in November, after an

earlier version of the paper had been sent to the medical journal *The Lancet*. That was subsequently rejected. "At the current stage of knowledge, it's probably too early to predict how v-CJD will evolve," said *The Lancet's* editor, Richard Horton. He declined to say why the paper had been rejected.

But a revised version is published today in the science journal *Nature*. "It has been

rigorously peer-reviewed, just like any other paper," said Nick Short, *Nature's* biological sciences editor.

The paper is based on data gathered from the 14 confirmed victims of v-CJD in the UK. The authors used statistical techniques and tested them against a series of assumptions, both about the incubation period required for BSE-contaminated food to cause v-CJD in humans,

and the effectiveness - or lack of it - of the government's ban in November 1989 on the use of cow parts such as brains and spinal cords in human food.

The forecasts investigate incubation periods of between 10 and 25 years. However, past data from people who have developed CJD from human growth hormone injections suggest it takes at least 13 years to develop the disease, while kuru, a CJD-like

disease found in Papua New Guinea cannibals, took up to 30 years. Most of the paper's figures give death tolls of below 1,000, with only a few predicting totals greater than 10,000.

The authors said that despite the lack of precision in the answers, the paper was useful because it gave some guidance on when it would be possible to give more definite answers about the future size of any epidemic.

Safety doubts over Sellafield waste plan

Stephen Goodwin
Heritage Correspondent

John Gummer, the Secretary of State for the Environment, was yesterday urged to re-open the inquiry into plans by nuclear waste managers for an underground laboratory at Sellafield after it was disclosed that scientists are struggling to make out a safety case.

UK Nirex, the state-owned nuclear-waste company, wants to build a laboratory 920 metres below Longlands Farm, near Gosforth on the western fringe of the Lake District National Park, and close to from Sellafield, in the hope of proving the site suitable for a £2bn waste dump 40 feet underground.

But a damning internal memorandum to senior staff at Nirex indicates that, despite spending £200m of public money trying to build up an accurate picture of the underground rock which would surround a proposed nuclear dump, modellers need between 10 and 100 times more data. Without more favourable permeability estimates for the volcanic rock, Nirex might "struggle to make a case for the

site", John Holmes, director for science at the company suggested in the memo.

British Nuclear Fuel's Sellafield reprocessing plant is only two miles from the site. Enough radioactive waste to cover a football pitch is now stored above ground, two thirds of it at Sellafield.

Mr Gummer is currently studying the report of a five-month public inquiry into Nirex's plans for the laboratory. He could give his decision at any time, but Cumbria County Council and Friends of the Earth (FoE) yesterday called on the Secretary of State to re-open the inquiry in the light of the leaked memorandum.

"Once again something has come to light that flies in the face of the contention that everything is going well at the site," said council group leaders. At the inquiry, the council argued that Nirex had chosen Longlands Farm because of its proximity to the reprocessing plant and because it feared local opposition at geologically safer sites elsewhere in Britain.

The memo was leaked to both the council and to FoE.

"What it says is that Nirex must either spend hundreds of millions of pounds on more research, cook the books or clear off," said Dr Patrick Green, the senior nuclear campaigner at FoE.

"They must now accept defeat. If they try to manipulate the data they already have, we will expose them."

Nirex scientists are evidently concerned that without more data they cannot reliably model the underground water flow paths in the fractured volcanic rock. It needs to be capable of containing the radioactive waste for 100,000 years. "There is still a gap between modellers and hydrogeologists" on interpreting data the groundwater pathways, said Mr Holmes.

Nirex, which spent some £10m presenting its case at the inquiry, yesterday played down the memo as a director challenging his team to continue the search for rigorous answers.

Scientific debate was being turned into a "political stunt", said the company. "If the Sellafield site is not scientifically suitable, Nirex has always said it will walk away."

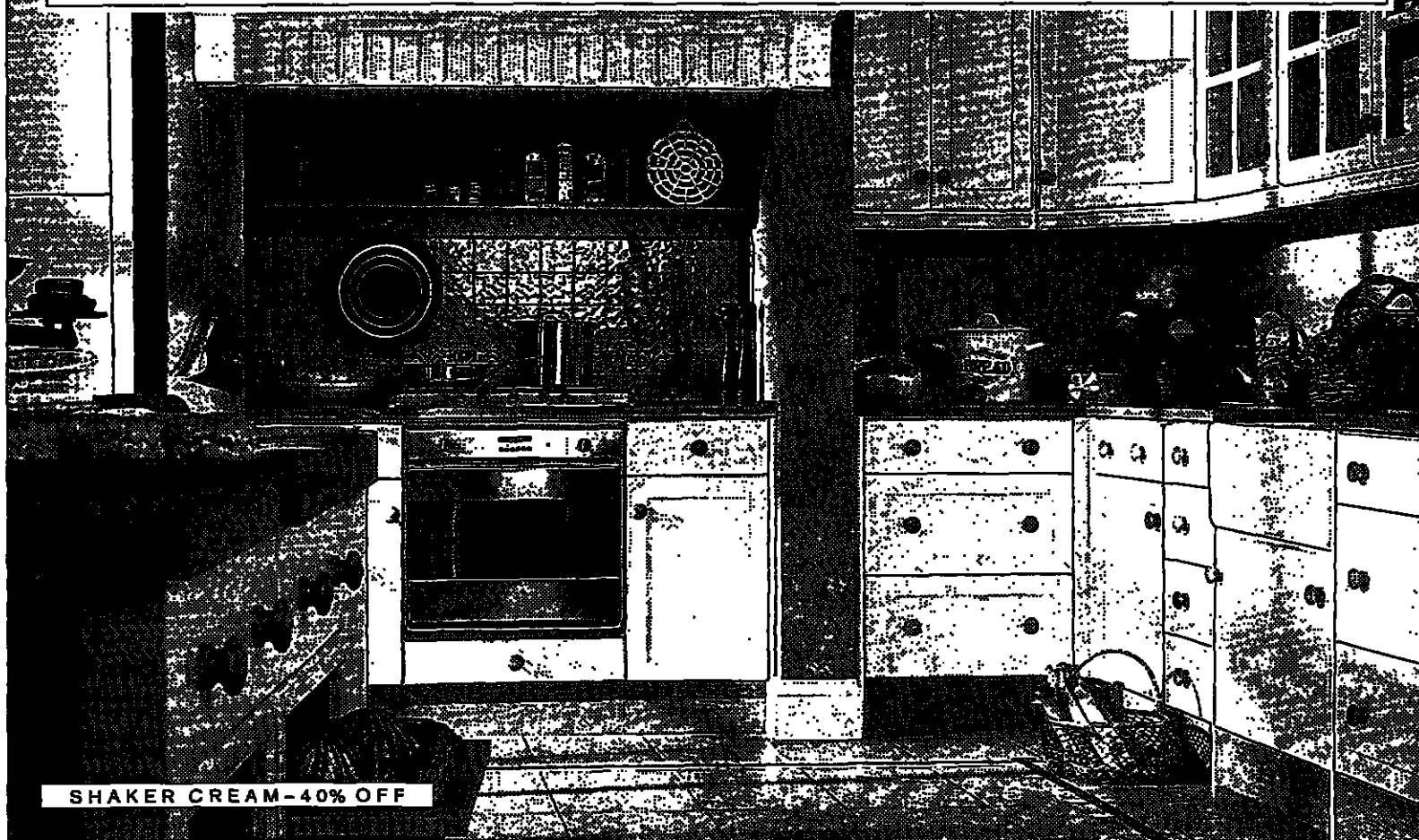


Breath of freedom: Alexandra Doyle loosening her corsets yesterday after a costume show at the National Gallery by students from the Wimbledon School of Art. Ms Doyle was dressed by Nicola Stokes as Mrs Hallett, from Gainsborough's *Morning Walk*. Photograph: Tom Pilton

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Food for thought

Plant energy may power machines of the future

Charles Arthur
Science Editor

Scientists in Arizona have taken a key step towards creating an artificial plant which could power miniature machines of the future, using the same process as photosynthesis.

The team at Arizona State University has developed a chemical system which, like plants, takes light energy and transforms it into electrical potential which can be used later to power other processes.

"The process of plant photosynthesis is like a solar-powered hydro-electric station," said Tom Moore, at the university's department of Chemistry and Biochemistry.

If the team succeeds, it might be able to produce more efficient solar energy systems. Present photovoltaic cells, which generate electricity directly from the sun, struggle to turn more than 20 per cent of the solar energy falling on them into power. They also cannot store the energy, except at remote sites.

Photosynthesis is a complex yet highly efficient process, converting more than 60 per cent of incoming solar rays into energy. Researchers have tried to mimic this in the laboratory for more than 100 years. It occurs within plants cells, in structures called chloroplasts, which absorb light and use a combination of enzymes and

chemicals to shunt electrons and protons (hydrogen nuclei) in different directions across an internal membrane.

This creates an electrical potential across the membrane. That stored energy is then released, and used by another enzyme to create a molecule called adenosine triphosphate (ATP) - the prime source of energy for cell processes. "In a sense, ATP is the gasoline of life," said Professor Moore.

The Arizona system, reported in today's issue of the science journal *Nature*, uses chemicals to absorb light energy and use it to shuttle both electrons and protons in different directions across a membrane, just as the chloroplasts do.

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An epic portrait of struggle - or naive glorification of disorder?

Stephen Goodwin
Heritage Correspondent

The Museum of London was accused of "glorifying civil disorder" yesterday after it unveiled a reminder in oil of the riot in Trafalgar Square, when police fought hand to hand with anti-poll tax protesters. Though even-handed in its treatment of both police and rioters, the 12ft by 9ft *History Painting*, by John Bartlett, is deliberately provocative. The imposition of the poll tax was one of Margaret Thatcher's most unpopular policy decisions and there was a mass campaign of non-payment.

In a traditional epic form, the painting will dominate the museum's London Now gallery which opens next Tuesday explaining the history of the capital since 1945.

It depicts the pitched battle that took place in Trafalgar Square and the surrounding streets on 31 March 1990. Protesters wielding sticks confront police, two on horseback, against a backdrop of Nelson's Column, the National Gallery and burning vehicles.

John Marshall, Conservative MP for Hendon South, said the painting was to some extent glorifying civil disorder. "These ri-

oters were seeking to alter government policy, not by reason but by force. There is no place for that in a democracy. I would have thought there were much greater episodes in London's history to commemorate rather than events conceived by Scargill's children."

Controversy and conflict are major themes in the gallery, with the redevelopment of Piccadilly and Docklands portrayed alongside newspaper type-setting equipment made redundant, along with its operators, after disputes with the print unions. Outfits and accessories from Mary Quant and Biba illustrate the "swinging Sixties".

Mr Bartlett accepts that *History Painting* might "upset a few people" but says it role is to provoke and confront people with an important event of the recent past.

"I think it's impartial. It's cold in a sense. I deliberately haven't used mannered emotion in the faces. I wanted there to be a seriousness about it."

The 36-year old artist, whose studio is in Bethnal Green, east London, has drawn on great works of the past, including Picasso's *Guernica* as well as more prosaic sources, such as photographs lent to him by the Metropolitan Police.



Protest: *History Painting*, with artist John Bartlett, has been slated by a Tory MP for glorifying the poll tax riot (inset) Photograph: Andrew Buurman (inset: Jon Jones)



Frozen Britons rush for the sun

David Garfinkel

The recent cold spell has brought a boom in summer holiday bookings with sales for 1997 up 30 per cent on this time last year, travel agents said yesterday.

More than 2.4 million people had made bookings by Christmas compared to 1.8 million the previous year, and the trend is expected to continue.

Lunn Poly, the UK's largest travel agency, said customers suffering from the winter blues had cheered themselves up by booking their place in the sun. Marketing director Peter Povey said: "One of the coldest winters for some time has sent thousands of people rushing to travel agencies to snap up warm, sunny holidays. While Spain is far and away the most popular choice, we're seeing more and more people going further afield."

Thomas Cook said its summer bookings were up by 70 per cent and there had been dramatic growth since December, with a rise in the average amount spent on a holiday. A spokesman said: "As is always the case in the UK, the weather will have a big say and this will ultimately determine our level of performance."

Another of the big operators, Going Places, predicts that January bookings will be 15 per cent up on last year.

But a spokeswoman for the Association of British Travel Agents, said it was more likely that people had learnt from the lessons of last year when many seeking late bargains encountered limited availability. "I am unconvinced the weather was the real cause of the holiday flurry. It is just as much to do with the fact travel agents are offering tremendous incentives to book early."

"Sales are way ahead of this time last year because the brochures were out earlier than ever before, but the amount of holidays on offer has not actually gone up."

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*Source: Savings Market, Summer 1996.

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politics

Ashdown turns away from 'tax and spend'

Colin Brown
Chief Political Correspondent

Paddy Ashdown yesterday tweaked the Liberal Democrats' election strategy and tried to move the party away from its tax-and-spend image.

While putting health and education at the centre of the campaign, he said improvements could be achieved through better value for money rather than tax rises.

The Liberal Democrats' leader unveiled manifesto plans for a national inspectorate for health and social care in the NHS. It would audit spending to cut waste and ensure value for money.

That would be coupled with a "tax contract" with the British taxpayers aimed at rebuilding trust in taxation, "recognising the taxpayer with the tax spender, and beginning to raise the level of the debate on tax above the puerile, the posters and the posturing we will see in the weeks ahead". Mr Ashdown told a meeting last night.

Behind his initiative lies a plan by Liberal Democrat strategists to soften the party's tax-raising image, following its

plans for 1p-in-the-pound increase to pay for higher education spending.

"Our thinking is that there is a big niche between Labour and Tories who are competing with each other to avoid mentioning tax," said a senior Liberal Democrat source. "We understand why they think that. We believe it leaves a gaping hole and the party feels comfortable with it."

"We will be saying if you want improvements, it's an old Liberal theme, 19th century Gladstonian value for money. It is important that we are not seen as a party that throws money at problems."

The shift in strategy to embrace value-for-money initiatives may have been seen by the Liberal Democrats' critics as evidence that they are already losing their confidence, with the pre-election campaign only one week old. They have come under withering fire from the Tories for proposing tax increases and Alan Milburn, Labour's Treasury spokesman, yesterday accused the Liberal Democrats of being "irresponsible". "The Liberals' desire to make people pay more tax is

simply piling on the misery," he said.

Mr Ashdown did not shift from the Liberal Democrats' commitment to put an extra £2bn on taxation if necessary. The Liberal Democrats will be campaigning on their commitment to reintroduce free eye tests and dental check-ups through a 5p tobacco tax, which they believe has public support.

But Mr Ashdown concentrated on ways of achieving better services through value-for-money initiatives. The Liberal Democrats would ask the National Audit Office and the Audit Commission to check on whether policies are delivering improvements in services, such as the nursery voucher scheme. The audit office presently audits government departments; the commission checks on spending in local government and the NHS.

In spite of his commitment to improving public services, Mr Ashdown set a target of reducing public expenditure to below 40 per cent of GDP. He insisted it could be achieved by fulfilling the Liberal Democrats' promise to "wage war on waste".



Fighting on: John Crozier, one of the Dunblane parents, at yesterday's poster launch in London

Photograph: Andrew Buurman

Dunblane parents reinforce gun message

James Cusick

Fears that the House of Lords could water down plans to restrict the use of handguns brought a renewed effort yesterday by anti-gun protesters to maintain pressure on the Government.

Following the report by Lord Cullen into the Dunblane shootings, the Government put forward proposals to abolish private ownership of handguns except .22 calibre sports weapons. This fell short of the demands by the Dunblane parents and the Snowdrop Appeal

for a complete ban, and yesterday a new poster campaign was unveiled in London to ensure that their message continues to be heard.

In advance of tonight's House of Lords debate on the Firearms (Amendment) Bill, the two posters are designed to

emphasise that even .22 weapons can kill. One poster carries the slogan "a .22 handgun makes the same size hole as a magnum", over a picture of an open grave. The other shows a picture of the assassinated US presidential candidate, Robert Kennedy, with the message: "If a .22 is less deadly, then why isn't he less dead?"

The fears of the anti-gun organisation, the Gun Control Network, are based, they claim, on what happened after the Hungerford massacre in 1987. As the main organiser of the poster campaign, and given full support by other groups like the Snowdrop petitioners, Gil Marshall-Andrews of the network said: "The Government's new Firearms Bill is already weak-

er than most people would like. And we have to ensure that it is not weakened further by the Lords."

Dunblane parents Mick North, Martyn Dunn, John Crozier, Jenny Hazel and Less Morton joined a cross-party gathering of MPs to unveil the poster.

Tony Hill, whose daughter Sandra was killed by Michael Ryan at Hungerford, said: "There are nine pages of amendments in the Lords... After Hungerford we thought there would be real changes. But it was eventually watered down. We must try to ensure the Lords do not undermine the Government's plans yet again or there will be repeat tragedy."

Tories forced to mobilise as pairing halts

Anthony Bevins
Political Editor

The Government's 35-vote majority for the second reading of the Finance Bill on Tuesday night illustrates the problem being created for John Major by Labour's current policy of non-co-operation.

Because Labour is refusing to "pair" off absent Tories, in protest against Government "cheating" before Christmas, the Prime Minister and Ian Lang, President of the Board of Trade, accelerated their return from Pakistan to be back in good time for Tuesday's 10pm vote.

As a precaution against a Labour ambush, there were only four Conservative MPs absent from the vote - through illness - while Labour knew they would have 15 absentees.

But the Government could not count on that Labour deficit, and Labour Chief Whip Donald Dewar said yesterday: "They are having to keep large numbers of Members of Parliament here because they cannot tell on any particular vote how many will be needed to get their business through."

"Meanwhile, we can release colleagues to campaign in the country to work for victory in the constituencies."

"It means unusually large majorities for the Government on occasion. We welcome that. Their troops have been tied to Westminster, and this will continue to be the case in the run-up to the election."

Although the Government has no majority at all in the Commons, it won Tuesday night's vote so comfortably not only because of the disproportionate number of Labour absentees, but because of the erratic behaviour of the minority parties - another uncertainty that hangs over the Government whips' office.

Analysis of the vote shows that the 319 Conservatives present were supported by five Ulster Unionists - but another four Ulster Unionists did not vote.

On the other side of the House, the 257 Labour MPs present were joined by 25 Liberal Democrats and seven nationalists, but one Liberal Democrat, Alex Carlile, was missing, along with Northern Ireland's four Social Democratic and Labour Party MPs, the three Democratic Unionists, Scottish Nationalist Roseanna Cunningham, and Robert McCartney, the independent Unionist.

Mr Dewar warned yesterday: "While non-co-operation continues, it will require discipline. When we can spring a surprise we will do so, but we will not play silly games. Tory backbench morale is already low. We intend to lower it still further," said Mr Dewar.

But a game of cat-and-mouse is being played in the run-up to the election, and it is not being played by Labour alone.

While the Prime Minister told reporters in Pakistan on Tuesday that he wanted to play the election timing long - giving a leading hint of a preference for 1 May - the Conservatives appear to be playing it very short indeed.

Labour said yesterday that they and the Conservatives were allowed two party political broadcasts over the next three months, in the run-up to a possible election, and Labour would be running one today and another in March.

The Conservatives, on the other hand, had decided to run one on 21 January - and the second on 13 February.

According to Labour, that suggested ground-work preparation for a possible election in March or early April. The guessing-game continues.

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news

Food poisoning report urges shop licences

Liz Hunt
Health Editor

The interim findings of the inquiry into the *E. coli* food poisoning in Scotland which killed 16 people urges more government funding for research into the bacterium, which poses a growing threat to food safety.

In his report, Professor Hugh Pennington, who two years ago described the spread of *E. coli* 0157 as a "time-bomb waiting to go off", highlights the need for scientific investigation of outbreaks in cattle and transfer to the human food chain.

Professor Pennington also outlines several measures to prevent similar outbreaks to that in Lanarkshire last November and December, which is on record as the second worst food poisoning episode worldwide, affecting about 400 people.

The report calls on the Scottish Office to review the guidelines relating to the investigation and control of food poisoning outbreaks and says the law should be changed to permit the introduction of selective licensing for food premises.

It recommends the physical separation, within premises, of

raw and cooked meat products using separate counters, equipment and staff.

The report appears less than a week after John Barr, the butcher from Wishaw at the centre of the outbreak, appeared at Hamilton Sheriff Court charged with culpable and reckless conduct over the alleged supply of meat contaminated with *E. coli* 0157.

Sickness and death among 78 pensioners who attended a lunch at the Old Parish Church in Wishaw first alerted the authorities to the outbreak. The group in meat pies served at the lunch was subsequently found to be infected.

Michael Forsyth, Secretary of State for Scotland, ordered the inquiry into the Lanarkshire outbreak shortly after, and Professor Pennington, a leading authority on the bacterium at the Department of Microbiology at Aberdeen University, was asked to lead the team of experts. Mr Forsyth who announced the interim findings in a Commons statement yesterday, accepted many of Professor Pennington's recommendations.

The bacterium was unknown before 1982 but is now be-

lieved to be spread in undercooked beef, and milk and cheese from cows, sheep or goats. Some public health experts have been warning of the dangers of *E. coli* 0157 since the early 1990s, when it became apparent that the number of cases was increasing. The Chief Medical Officer's report for 1995 confirms there were 792 isolations of *E. coli* 0157 in 1995 in England and Wales - a 93 per cent increase.

The dramatic increase is due in part to better surveillance and more testing but more cases are occurring too. Scotland has one of the highest incidences in the world but no one knows why. The previous largest outbreak was in West Lothian in 1994 when 100 people were infected. Scientists traced the source to a dairy.

E. coli 0157 - also known as VTEC, for verocytotoxin-producing *Escherichia coli* - releases a poison, verocytotoxin, which causes bloody diarrhoea, severe cramps and vomiting. Up to 30 per cent of those infected may suffer kidney problems, and up to 10 per cent - children and the elderly or sick are most vulnerable - may die.



Industrial revolution: Alan George of Daniel's mill, near Bridgnorth in the West Midlands putting the finishing touches to the recently painted cast iron wheel. The mill has been in Mr George's family for 300 years and is the oldest working corn mill in the country. Photograph: Rob Stratton

Jealous lover 'abducted and murdered girl'

The mother of five-year-old Rosemary McCann fought back tears in court yesterday as she was shown the pyjama top her daughter was wearing on the night she was allegedly snatched from her bed, raped and murdered.

Josie Mahon, 27, identified the blue-and-white top with its "Thomas the Tank Engine" design as the one she had dressed Rosemary in before leaving her with babysitters on the night before the little girl disappeared.

Ms Mahon was visibly upset as she quickly glanced at the top before turning away in the witness box at Manchester Crown Court, where her former boyfriend, Andrew Pountney, 32, is accused of Rosemary's murder.

The Crown alleges that Mr Pountney, of Kew Road, Oldham, a pub disc jockey, argued with Miss Mahon that evening and threatened to kill her. It is claimed that he took a taxi to Ms Mahon's home in Kipling Road in the town.

Rosemary had been left sleeping alone there with her six-year-old brother. The court

heard that Ms Mahon arrived home after midnight. The babysitters left but Ms Mahon went to visit a neighbour a few doors away, leaving the children with the front door closed but not locked.

The Crown alleges that Mr Pountney took Rosemary from her bed in the early hours and took her to his own home where he then raped and murdered her.

Mr Pountney pleads not guilty to the abduction, rape and murder of the little girl a year ago. Ms Mahon, a mother of three, told the court how she met Mr Pountney nearly three years ago and moved into his home. But she said he became jealous of her.

"He would behave very violently. There were quite a few arguments. He would always be accusing me of looking at men in pubs and flirting," said Ms Mahon.

"I left because he got too violent altogether."

She said they later restarted their relationship and he would stay at her home sometimes two, three or four times a week.

DAILY POEM

The Sadness of Megalomania

By Michael Glover

A thousand thousand people know my name.
Ten thousand thousand use it every day.
A million children sing it in the streets.
A hundred widows weep my life away.
The banker's moistened thumbs caress my face.
The clouds arrange themselves into my shape.
The rivers babble of my deeds and dreams.
The monkey chatters of me in his cage.
The locomotive sighs for my lost loves.
God says: beside this man, I am mere stone and wood.
All arrows aim to pierce my heart's desire.
My armies march in flames. I am their fire.

This poem, described by its author as "about a Milosovic figure", comes from Michael Glover's new collection *A Small Modicum of Poetry*, published by Dagger Press (£3.50) at 70 Dagger Lane, West Bromwich B71 4BS. Michael Glover will be reading at the Old Operating Theatre, Guy's Hospital, London SE1, at 7.30pm on Thursday 30 January.

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international

significant shorts

Yeltsin illness developed after 'banya'

Boris Yeltsin is suffering from double pneumonia which developed from a case of acute bronchitis, probably caught after taking a Russian "banya", or steam bath, the Kremlin's top doctor, Sergei Mironov, said. The physician's remarks confirmed what was widely suspected - that the 65-year-old President's condition was significantly worse than the Kremlin at first stated. Mr Yeltsin's political opponents continued to press for his removal on the grounds he is too ill to carry out his duties. *Phil Reeves - Moscow*

Guerrillas agree to talks

Marxist Tupac Amaru guerrillas holding 74 hostages at the Japanese embassy in Lima, Peru, accepted a government proposal to set up a joint Vatican, International Red Cross and diplomatic negotiating commission. The guerrilla leader Nestor Cerna insisted on a "Guarantor Commission" which would aim to win the freedom of all hostages and arrange safe passage out of the building for the 20 or so guerrillas. *Phil Davison - Lima*

Moi adviser rejoins cabinet in reshuffle

A government reshuffle was announced by Kenyan President Daniel arap Moi in the run-up to elections scheduled for later this year. Most significant of the changes is the return to the cabinet of Nicholas Biwott five years after being dropped, following allegations of corruption and involvement in the 1991 murder of a former foreign minister. Mr Biwott has long been a friend and adviser to President Moi. A negative response to his nomination is expected from foreign donors who have been pressing the government to clamp down on corruption. *David Orr - Nairobi*

Bulgaria election offer

A possible resolution of Bulgaria's political crisis appeared to be in the offing as the ruling Socialist Party offered to hold fresh elections by the end of the year, 12 months ahead of schedule. Opposition leaders, who accuse the Socialists of ruining the country's economy and who have organised daily protests against them, said they were ready to discuss the offer. *Adrian Bridge*

Alpine sun gives paraglider a lift



A paraglider floating above the fog from the Gaisberg mountain near Salzburg, benefiting from the clear blue skies and sunshine common at high altitude in Austria. Photograph: Franz Neumann/Reuters

EU fleshes out how 'flexibility' would work

Sarah Helm
Brussels

Integration proposals

EC plans include:
■ No veto on decisions about which countries can go ahead. Decisions to be taken by qualified majority.
■ Powers to apply flexible power sharing to most areas of policy. Leaves open the possibility of flexibility in monetary union and the single market.
■ Areas to be specifically excluded from the flexibility plan should be the common fisheries policy, commercial policy, transport, competition and cohesion policies.
■ Countries which do not join in a power-sharing arrangement at first, should be allowed to do so later. Their interests must not be affected, and costs of the policy must be born only by countries participating.

Two confidential European Union reports show that Britain's partners have ambitions to integrate policies in areas as far-reaching as taxation, social security, policing and immigration. A new "flexibility chapter" in the Amsterdam treaty, due to be finalised in June, should create powers for countries to integrate in these areas, without a British veto, France and Germany are arguing.

The reports produce for the first time concrete ideas about how the hitherto nebulous concept of "flexibility" would work in EU decision-making. In effect, it would allow groups of member states to share powers without the rest. France and Germany believe "flexibility" is the key to finalising a new EU treaty at Amsterdam. They believe that flexibility is vital if progress towards integration is to continue without British opposition. They also believe it is vital if the EU is to work effectively once new member states from central and eastern Europe have joined.

Furthermore France and Germany want "flexible" decision making to apply to Economic and Monetary Union, according to one of the reports. The states want to strengthen indirect tax rules, and start to harmonise other tax policies after the launch of the single currency. They also want powers to enable them to harmonise

other areas of tax and social security policy once the single currency is up and running. The European Commission is opposed to more power sharing in areas of macro-economic policy. The Maastricht treaty makes clear that member states inside a single currency should be free to set their own policies on tax and social security, while aspiring to meet overall economic convergence criteria. The majority of countries are also keen to ensure that a "hard core" share immigration, justice and environment policies.

The second set of proposals, prepared by the commission and to be discussed in Brussels today, sets out what a "flexible",

"multi-speed" Europe would look like. The commission report is more cautious about listing areas to which flexibility should be applied. It would be most use in areas where unanimity currently applies.

Defence, armaments policy, policing, immigration and asylum policy, are the most frequent areas evoked and would clearly be "possible" candidates for flexibility, says the report. These are largely policies which are discussed under the so-called second and third "pillars" of the EU - governed by loose inter-governmental co-operation rather than strict community law. It would therefore be easier to set up flexible power-sharing in these areas, than under the "first pillar", which governs such core policy areas as the single market and monetary union.

The commission is in principle against multi-speed power-sharing in the first pillar. However, its report accepts that member states will push for flexibility in these areas. Senior officials say "down the road" they accept that member states will want "flexibility" to pool powers in areas of economic policy-making such as taxation and social security. "If flexibility is not done inside the treaty it will be done outside," says the commission report, in a tacit acknowledgement that France and Germany are determined to increase integration even if a deal cannot be done at Amsterdam.

Patten to be questioned in HK immigration scandal

Stephen Vines
Hong Kong

For the first time in Hong Kong's history the Governor, Chris Patten, is to be summoned before a Legislative Council inquiry. This follows his administration's vain attempt to stem the growing scandal over the abrupt removal of Lawrence Leung, the head of the colony's immigration department.

At a hearing before a special Legislative Council committee yesterday, Lam Woon-kwong, the Secretary for the Civil Service, ended an official silence and claimed that Mr Leung had to go because he was guilty of serious financial irregularities. Mr Lam also added a new term to the lexicon of official mendacity by admitting that his previous statements, alleging that Mr Leung had resigned for "personal reasons", amounted to a "narrow interpretation of the truth". He was also forced to admit that he had

withheld documents from the legislative inquiry.

Mr Lam tried to persuade the inquiry that the reasons for Mr Leung's departure related to his failure to disclose a number of business interests. He is alleged to have formed an advertising company in China while heading a department "dealing with a lot of immigration matters with China". He also, allegedly, failed to disclose holdings in a company with assets of some £25m, and in another owned jointly with a prominent pro-Peking legislator.

Mr Leung's business interests and alleged failure to repay a government housing loan were unearthed during a corruption inquiry and in an integrity vetting investigation by the police - which he failed to pass.

Invited to categorically deny that there had been political motives behind the government's loss of trust in Mr Leung, Mr Lam oscillated between denying reports in *The Independent* and other British newspapers, and

saying he had no personal knowledge of these matters, leaving it open to question whether others, including Mr Patten, were aware of investigations into Mr Leung.

However Mr Lam claimed that the "security and integrity" of the immigration department was "not compromised, as far as we know". Allegations have been made that Mr Leung disclosed names of people holding British passports issued under the secret British Nationality Scheme which allows certain key job holders to gain British citizenship in Hong Kong. China fiercely opposes the scheme and is keen to know who has benefited from it.

Legislators were concerned by the gaping holes in Mr Lam's version of events. He failed, for example, to explain why it took the government more than two months to act after the end of the investigation and why, when it did, it became so urgent for Mr Leung to leave office within hours.

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Richard Lloyd Parry
Seoul

The strike leaders have promised to continue their action until the government withdraws revisions to the labour laws, passed in secret at a dawn session of the National Assembly on Boxing Day. Their cluster of tents, at the rear of the brick cathedral, is guarded by followers armed with iron bars.

In the south-east city of Ulsan, non-union workers bulldozed through barricades to enter the Hyundai motor factory. But only three of Seoul's 88 bus companies came out and the government put the number of strikers nationwide at 110,000, compared to a union estimate of 630,000.



Richard Lloyd Parry

Members of the delegation accused the government of intimidation, and expressed fears that a second mission, lead by the former head of the Amalgamated Engineering Union, Bill Jordan, may be refused entry when it travels to Seoul early next week.

Late on Monday night, police visited the group in their hotel and warned that it was illegal for foreigners to visit and express support for the Korean strikers. On Tuesday, according to Guy Ryder, the British

"In my trade union career I have never experienced this kind of government interference in our stay and our business," said the delegation's leader, Takashi Izumi. Marcello

■ **London** - The Korean Confederation of Trade Unions will hold a demonstration today outside the Korean Embassy in London. Representatives of Amnesty International and the Trades Unions Confederation will also be present.



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Settlers take a grim view of Hebron deal

Patrick Cockburn
Hebron

Their headquarters in Hebron Israeli settlers were grimly listening to news of the accord agreed earlier in the day between Israel and the Palestinians as a result of which 80 per cent of the city will come under Palestinian control within the next 10 days.

"American pressure was too great," said Noam Arnon, a settler leader, explaining how Benjamin Netanyahu, the Israeli prime minister, had agreed to such the same accord on Hebron as he had previously denounced. "Netanyahu wrote a book that said there should be a surrender to terrorism, and now he signed an agreement with a terrorist group," complained Arnon, who leads the 500 Jewish settlers who live among 11,000 Palestinians in Hebron. In the heavy rain outside the settler enclave Palestinians showed few signs of jubilation. The Israeli redeployment has to take place and they live in the part of the city which stays under Israeli control. "There may be a different mood when we wake over the Israeli military headquarters," said a by-stander, pointing to an old British colonial fortress.

Early yesterday morning at the Erez crossing point between Gaza and Israel, after last-minute discussions between Mr Netanyahu and Yasser Arafat, the Palestinian leader, the protocol on Hebron was finally agreed. Delayed, first by Palestinian suicide bombers and then by the Israeli election, the Israeli accord says that by the end of next week Hebron will

have 400 Palestinian police, armed with 100 rifles and 200 pistols. Close to settler enclaves the police will carry only pistols. Hills overlooking settlers' houses will be patrolled by a joint Israeli-Palestinian force. The Palestinian wholesale market and a main road will be reopened. A joint rapid reaction force will be established.

None of this differs much from the 1995 agreement. An Israeli demand for the right to pre-emptive entry into Palesti-

Netanyahu committed himself to give away the Jewish homeland. He gets zero from Arafat

tinian areas has been dropped. Mr Arafat had made his biggest concessions when he agreed to the partition of the city over a year ago. The Hebron protocol was agreed over a week ago and the point at issue was the three-stage Israeli withdrawal from the West Bank. This is now to be finished by the middle of next year. By yesterday afternoon the extent of the withdrawal was creating fresh divisions. The Palestinians insist that Israel must leave 90 per cent of the West Bank and denies that the Israeli government can claim 50 per cent as "military locations". Mr Netanyahu was expected

to persuade a majority of his cabinet to back the accord, but some ministers reject it. Benjamin Begin, the Science Minister and son of a former prime minister, angrily told Israeli army radio: "The prime minister committed himself to give away sections of the Jewish homeland. He gets zero from Arafat." He was said to have shouted at Mr Netanyahu during the cabinet meeting at which 7 out of 18 ministers were expected to vote against the agreement. The dispute over the protocol may force a realignment on the Israeli right, the hard core breaking with Mr Netanyahu for giving up part of the Land of Israel.

In addition to the agreement on Hebron Mr Netanyahu and Mr Arafat agreed on a three-page "Note For The Record" in which both sides get less than they would have liked. Palestinian demands such as safe passage between Gaza and the West Bank as well as construction of a Palestinian airport and port at Gaza will be discussed in future. It does not appear that there is any real change on the release of 3,000 Palestinian prisoners.

Israel had demanded the extradition of Palestinians in autonomous areas who killed Israelis, but Saeb Erekat, the Palestinian negotiator, said yesterday that they would, as before, be tried in Palestinian courts. Overall the accord differs little from the Interim accord signed by Labour.

"I'm a very happy man today," said Yossi Beilin, the architect of the peace accords. "I would like to welcome Netanyahu to the Oslo club. The process is the only game in town."



Final protocol: The Israeli prime minister, Benjamin Netanyahu, passes the line to the Palestinian leader, Yasser Arafat, at Erez yesterday

Rebel unity spurs Sudan call to arms

David Orr
Nairobi

The Sudanese government is mobilising its forces to retake frontier towns and army garrisons recently captured by rebel forces in the east of Sudan.

Dismissed by the Islamist-dominated regime in Khartoum as "Ethiopian aggression", the rebel attacks constitute the first major combined operation by northern and southern opponents of President Omar el-Bashir.

Among those being called to arms are students at Khartoum University which has been closed to allow enlistment in paramilitary units of the Popular Defence Force (PDF). Sudan has an active military force of about 89,000 as well as about 15,000 PDF members.

"Scores of mujahedin [holy fighters] are now hurrying towards the theatre of operation in order to defend the eastern front and teach the aggressors and the traitors a lesson they will never forget," Sudanese radio quoted General Bashir as saying.

The offensive along the Ethiopian border was launched by the combined forces of the southern-based Sudan People's Liberation Army (SPLA) and the National Democratic Alliance (NDA), which has its headquarters in Eritrea. Two of the towns which fell, Kurmuk and Qasan, lie about 350 miles south-east of the capital. In addition to attacking army garrisons, the insurgents have also advanced to within striking distance of the Damazin hydro-electric plant which provides 80 per cent of Khartoum's power.

The SPLA has been fighting since 1983 to resist the imposition of Islam by the Arab north on the Christian and animist south. Sudanese government allegations of Ethiopian involvement in the recent attacks have been at least partially supported by independent reports of artillery shelling of Kurmuk and Qasan from inside Ethiopian territory.

Though once friendly towards Khartoum, Ethiopia's current government shifted allegiances as evidence emerged of Sudan's sponsorship of terrorism in the region.

Ethiopia has denied any part in the attacks, saying the capture of the towns was the work of the SPLA alone.

The Khartoum regime has said Sudan will help 1.3 million Ethiopian and Eritrean refugees in the country take up arms against Sudan's easternmost neighbours. Khartoum stands accused by Ethiopia, Eritrea and Uganda of using force to export its brand of Islamic fundamentalism abroad.

The real question is whether the fighting marks a turning-point in the wavering fortunes of the opposition forces or just one more false alarm. The NDA was predicting that Sudan's Islamic fundamentalist government would fall last summer after an uprising across northern Sudan. However, such an uprising failed to materialise.

However, the muted response to this week's government-sponsored demonstrations in Khartoum indicate that the populace is tiring of the empty promises and continued war-mongering of its rulers.

trade unionists

public order



Bill Jordan: May be refused entry to South Korea

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Serbs fear new poll tricks

Steve Crawshaw
Belgrade

Hundreds of riot police again lined up in the centre of Belgrade yesterday, as popular demonstrations against the Serbian regime continued. The opposition is wary that Slobodan Milosevic is trying to trap the opposition into an early retreat from its sustained opposition to the regime. There were several signs yesterday that the wariness is justified.

The Belgrade electoral commission ruled on Tuesday that the elections, which the opposition won in November, were valid after all. The elections had

been officially ruled invalid, because the opposition won by a landslide. Despite this week's apparently historic retreat, opposition leaders still fear further official tricks. The electoral commission announced yesterday that its report on the elections would only be sent to the parties today, and that parties can appeal within 48 hours after that.

Until yesterday, the opposition had assumed that the 48-hour period of leave to appeal would end, not begin, today. In short, there is still room for further shenanigans.

The students, who have spearheaded the protests since the

beginning, had an additional reason to be furious. The hard-line rector of Belgrade University, Dragan Velickovic, yesterday retained his position after a long crisis meeting - despite earlier official promises that he would be removed.

For the students, the issue of the hated Mr Velickovic has been crucial, since the start of the demonstrations in November - sharing almost equal billing with the question of the election results. The results of yesterday's meeting enraged the students, thousands of whom gathered outside the main university building in the city centre.

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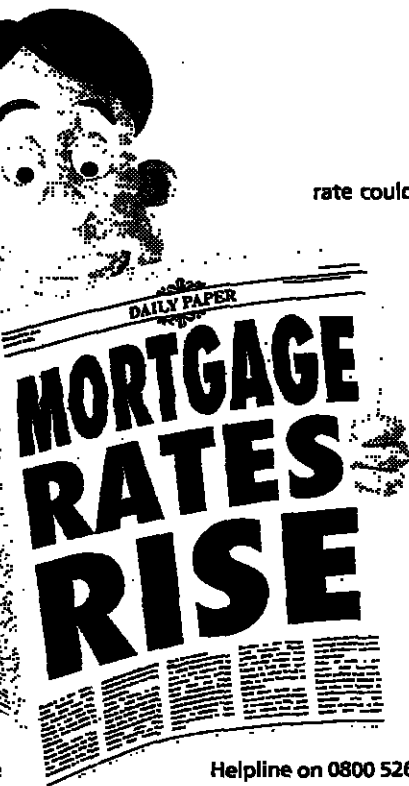
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international

Ten simple steps for the people to take

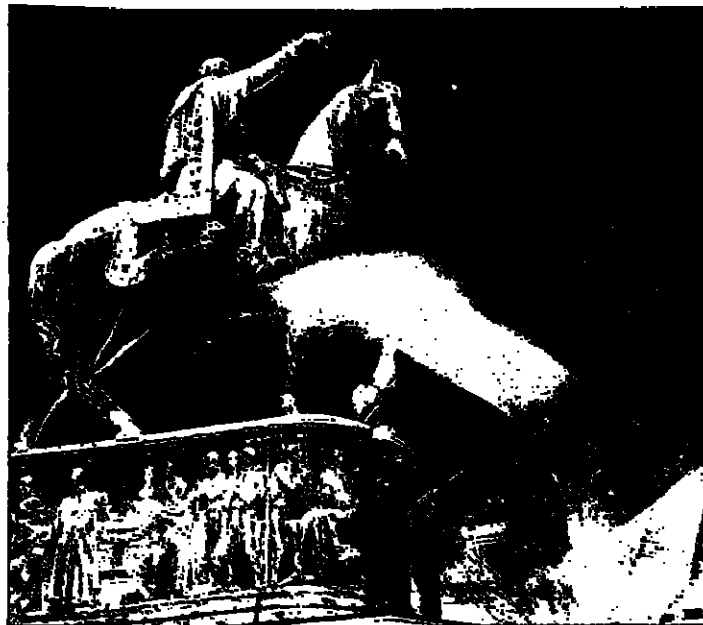
From Berlin to Belgrade, protestors have learnt how to form mass movements, mobilise support and fight back against tyranny. Independent writers analyse the key techniques

KEEP IT SIMPLE

Don't kid yourself that people are prepared to revolt in large numbers for democracy alone. The concept is too abstract, especially in societies with little experience of what it means.

To succeed, you have to tap into more tangible feelings of discontent and offer very basic promises of improvement. Serbians are not generally too bothered by the autocratic, corrupt nature of Milosevic's regime; rather, they are at the end of their economic rope and deeply disillusioned at the way every promise Milosevic made has been broken or betrayed.

When they bang on their pots and pans to drown out the state television news every evening, they are basically giving their version of Peter Finch in *Network*: "I'm mad as hell and I'm not going to take it any more!"



First wave: A Serb opposition supporter in Belgrade

HAVE A GOOD TIME

All the most successful movements have been superb at using entertaining ideas to get people smiling and keep them that way, even when the going gets tough.

Solidarity has to be a cheerful business. In Prague, people rang little bells and jangled keys. In Romania, they cut the holes out of the flag. In Serbia, they do everything from blocking the traffic to banging pots and pans during the television news.

Co-opt the best designers, the most popular actors, the funniest joke-writers. Badges or clothing with subversive messages become enormously popular: in Poland, they sold T-shirts saying "I am an anti-socialist element".

In general, it should be remembered that every successful revolution has at least half a dozen brilliant badges to be remembered by.

TAKE IT EASY

Keep your energy up. Serbia's students have been very smart in avoiding too many all-nighters and pacing themselves. Dictators, and political leaders in general, never get tired (as Italy's Giulio Andreotti once said, "power tires only those who do not have it"), and they are infinitely vigilant and patient (as Francois Mitterrand once said, "like cats, we sleep with one eye open"), so flagging can be fatal.

And don't ask people to do very much. The best East German demonstrations were in Leipzig, where you could attend a weekly church service, walk down the road, then go home. Like going to an exercise class, but much more fun. Sleepovers can be enormously effective (as in Moscow during the 1991 coup, or in the parliaments of the Baltic states, earlier that year), but they are best suited for defending a fragile democracy.

WATCH TV

Keep the media spotlight on you. The Baltic republic of Estonia was the peaceful revolution was the television debate, organised by an apathetic producer. TV news is especially for all those stuck in the provinces. Foreign media are even more important. Be amenable to foreign journalists, and find spokesmen who speak foreign languages. Foreign journalists are so court them, even do their work for them. East Timorese activists rumpled embassies to seek asylum during international summits - foreign correspondents love to get a real story as a break from boring briefings. Be more interested newsdesks get the more information will be beamed back into the country via foreign radio, and these days in a surprising number of countries via satellite TV. English-language slogans or good play on TV and in photographs. Think about pictures: Korea demonstrators hurl lit newspapers; police in lieu of petrol bombs - they look great but do no real damage.



Shout: A student voices protest against Milosevic

BE NICE

The regime will blame you for being terrorists, bombers, madmen, everything. You must give them the minimum of ammunition, so that they, not you, will look dodgy when they make the accusations.

Discourage violent or anti-democratic rhetoric. Serbian opposition leader Vuk Draskovic's wife, Dana, appeared early on in the crisis raving about blasting the way to victory. She has been sent to media Coventry ever since.

When a bomb explodes at a pro-establishment building or organisation - as happened in Belgrade recently - it will be obvious to everybody that this is just another provocation by the regime. If they get violent, it just strengthens your hand.

As one previously cautious Czech said, after going on a demonstration in 1989 and being beaten up: "As I lay on the ground, I felt free." In general, good behaviour wins you points.

During a 1989 strike in Ukraine, marshals made sure that miners did not step in the rose beds. If you are in a country where people like to get drunk, you could try banning alcohol altogether, as for example, happened in Gdansk when Solidarity was first formed in 1980.



Fist of power: taking cover from gunshots in Bucharest

HEROES

The revolutionary hero is a cliché - and one that needs to be carefully considered. On the one hand, a hero, or a figurehead, can be a real asset, especially if they have international profile. It helps to make the movement more than just a group of faceless, nameless people. Think of Aung San Suu Kyi, Lech Walesa, Vaclav Havel. The international media knows their faces, their names, their history. Indonesia's Megawati Sukarnoputri and the Philippines' Cory Aquino are no great political thinkers - but their lineage gives them respect and legitimacy and their gender gives them a power

against military governments which no man can have. It is much harder to arrest or execute a woman than a man.

But there comes a time when you need to say: it isn't your movement at all. In people's revolutions, the leader - the figurehead - is nothing, by comparison with the brave but undisciplined people who have put themselves on the line. Unless you are Mandela or Havel, don't think you're that special. In Serbia, for example, many of those on the street have got more moral fibre in their little fingers than the people who prance around in front of the microphones.

Words that set off revolution

Marx: The workers have nothing to lose but their chains. They have a world to gain. - 1848

Lenin: Where force is necessary it must be applied boldly, decisively and completely. But one must know the limitations of force: one must know when to blend force with a manoeuvre, a blow with an agreement.

Mao: We must let a hundred flowers bloom and a hundred schools of thought contend and see which flowers are the best and which school of thought is best expressed and we shall applaud the best blooms and the best thoughts. - 1956

Jesus Christ: The truth shall set you free. - 25 (approx)

Caribaldi: I can offer you neither honours nor wages; I offer you hunger, thirst, forced marches, battles and death. Anyone who loves his country, follow me.

Robespierre: Any law which violates the inalienable rights of man is essentially unjust and tyrannical; it is not a law at all. - 1793 and:

Any institution which does not suppose the people good

and the magistrate corruptible is evil.

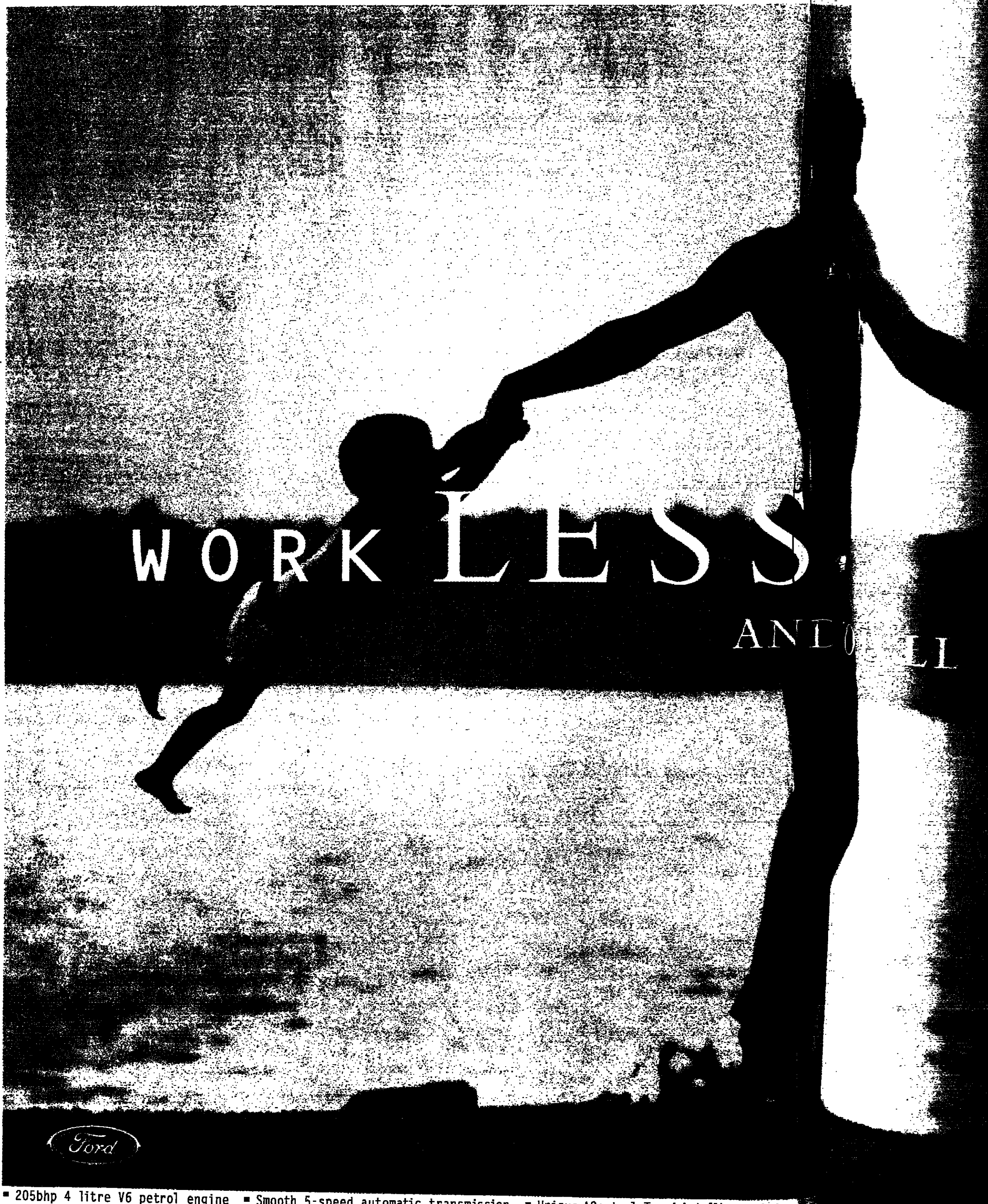
Gandhi: What difference does it make to the dead, the orphans and the homeless whether the mad destruction is wrought under the name of totalitarianism or the holy name of liberty and democracy? - 1942 and:

The moment the slave resolves that he will no longer be a slave, his fetters fall. He frees himself and shows the way to others. Freedom and slavery are mental states. - 1949

Anon (graffiti): Revolution allows the revolutionary to sublimate his sado-masochistic, neurotic, anal tendencies into a concern for the working class.

Shirley Williams: The saddest illusion of revolutionary socialists is that revolution itself will change the nature of human beings.

Oscar Wilde: Disobedience in the eyes of any one who has read history, is man's original virtue. It is through disobedience that progress has been made, through disobedience and through rebellion. - 1891



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WATCH TV

Keep the media spotlight on the Baltic republic of Estonia, the most astonishing moment of the peaceful revolution was the television debate, organised by a pathetic producer. TV news is especially for all those stuck in the provinces. Foreign media even more important. Be a spokesman who speaks foreign languages. Foreign journalists are so court them, even do their work. East Timorese activists run embassies to seek asylum during international summits - foreign correspondents love to get a real story. A break from boring briefings. More interested newswomen get back into the country via foreign dailies and these days in a surprise number of countries via satellite TV. English-language stations, good play on TV and in photographs. Think about pictures: kill demonstrators hurt lit newspapers, police in lieu of petrol bombs. Look great but do no real damage.



Party time: Berliners enjoying themselves on New Year's Eve 1989 following the fall of the wall

COME TOGETHER

Build a broad-based movement, and avoid creating divisions that you will only have to heal once (if) you take power. Serbian demonstrators have understood this as they encourage the police, army and even members of the ruling party to come over to their side.

Persuade bits of the establishment to crack. All dodgy regimes love the trappings of respectability. They cosset the establishment. If you can persuade the establishment to seem publicly disloyal, you're in clover. Strikes by actors, orchestras, protest letters from writers' unions - all of these have played an important role as early-warning signs in the past. Students and dissidents can be written off as troublemakers.

But when theatres are dark or the concert halls closed, that gets embarrassing. If the army cracks, too - as it has in Serbia, to some extent - that's a bonus. You may think that old general or ancient apparition is a vile racist. But if he also wants the regime to go, put your feelings to one side. Your mum may think he is the best thing ever.

Unlike in democratic elections, where dodgy individuals lower the tone of an entire party, you need a bit of everything in people's power, to let your movement reflect the rich tapestry of life.



Poster power: An anti-communist rally in Manila in 1986

BE GRADUAL

Be seriously gradual: only ask for things which the mad totalitarians have already signed up for, thinking the commitments can be ignored. Thus, in the Soviet Union, the much-mocked Helsinki agreement was powerfully used by dissidents. They insisted they were not against Soviet Communist power as such (usually a lie; they were against it, with good reason), but were merely protesting against the flouting of a particular article in the Soviet constitution or the Helsinki final act.

Similarly, in Serbia, the demonstrators have not fixed their sights on Milosevic but have instead focused on the refusal to accept the results of an election which he himself allowed to proceed. Emphasise your respect for the rule of law - bring detailed legal actions before adopting quasi-legal or illegal methods.

Each little concession helps you to win. Ryszard Kapuscinski, in his account of the Iranian revolution, *Shah of Shahs*, calls it the "zigzag to the precipice". It is just a matter of whether your society is ready to boil. Press home concessions by asking for another little change.

THINK AHEAD

Prepare the ground for when the basic victories are won. If demonstrations have the desired effect, a protest movement can very quickly become an embryo government - and that is when the real problems start, as Vaclav Havel, Lech Walesa and plenty of others found in the 1990s.

Without proper planning, your brave new government could quickly become deeply unpopular and then the bastards you worked so hard to overthrow might just come back again before they have had a chance to be properly reformed. It takes a long time for fully functioning democracy to take root, and vigilance must be maintained (ask any Bulgarian about this). Right now the opposition in Serbia is making all the right noises, but what will happen if they get into power?

In Serbia's case, start thinking about an international rescue plan to get the economy out of the doldrums. Think about aid to set up independent radio and television stations and international monitors to advise on and watch over free elections.

Think about equipment and training for new businesses and municipal services. Seek advice on which industries are viable and which are just clogging up the atmosphere.



Shoulder high: A young boy joins a protest in Leipzig, East Germany, in 1989. Photographs: Poppertoto

DON'T COMPROMISE

Don't settle for any compromises and don't be conned. Once you compromise, you are lost. The bastards always try to squirm their way out of trouble, but you should always push for total capitulation. Remember: they think democrats are mugs, and they are comfortable with brazen lies. Get any agreements in writing, or (better) get the Prime Minister or President himself to read out the agreement in a humiliating televised climbdown. A promise is not a promise until it has been read out on the main evening news - midnight late news, another trick they sometimes try, is emphatically not good enough. The East Germans didn't stop when Honecker resigned and they didn't stop when the wall came down: only once the opposition was invited on to a round table with the government and elections were called did they consider the battle to be won. By contrast, in Belgrade in March 1991, anti-government demonstrators allowed themselves to be conned by Milosevic's promises that he would meet their various demands: the fizz then went out of the protests and the government rapidly recovered control. This time around, Milosevic is being equally slippery, but the opposition and the students seem to understand that it ain't over till it's over.

Alchemy that makes heroes of malcontents

Steve Crawshaw
Belgrade

The smouldering discontent of a small minority has finally burst into flames. After years of waiting, the heat in one part of the Serbian haystack has set the whole haystack ablaze. As a Serb friend said this week: "I'm so happy. At last, I feel I'm not alone."

Why now? Why have hundreds of thousands of Serbs gone out on the streets in recent weeks? There is a chemistry at work, but it is a mysterious chemistry. Many elements - poverty, fear, resentment, hopelessness - are combined.

Just below the hotel room where I am now sitting, I have in past years stood amid demonstrators in Belgrade, and asked myself and others whether, this time, the protests will gain unstoppable momentum. Each time, we shrugged and admitted ignorance. It seemed unlikely, given the apathy around us. Slobodan Milosevic, the Serbian president, has always been a master of tactics. Now, at last, he may have over-reached himself. In 1991, he used tanks against protesters; and, just to be on the safe side, he launched a war. That kept the lid on things, for a time at least. Getting involved in a war, as even democratic leaders know helps any government in distress. Later, Mr Milosevic showed an astonishing ability to persuade Serbs that they were permanently threatened, and that they must therefore support him. Serbia's only hope.

Throughout the years of the Yugoslav wars, the protests in Belgrade remained relatively small. Serbs, who in the Second World War had shown enormous bravery in the struggle against the Nazis, seemed passive in the face of a demagogic leader of their own.

The pattern of events in other countries has shown, however, that even the most apparently compliant population can finally be goaded into protest, when the time is right. In Czechoslovakia, people sat almost quiet for 20 years after the Soviet invasion of 1968, licking their wounds and adjusting to the new realities. A few thousand demonstrated in August 1988. At the end of October 1989, a crucial demonstration in Prague was too small to get the ball rolling - through a mixture of apathy and fear. But, less than three weeks later, another demonstration got thousands of students out on the streets and ignited the spark. The turning point: police beat up demonstrators, and one man was

thought to have been killed. At which point those Czechs who had been muttering words of loyalty one day were out on the streets the next. The use of violence, intended to intimidate, had the opposite effect.

In East Germany, as in Serbia, a fake election result triggered the opposition demonstrations which eventually brought the regime down. The local elections in May 1989 were rigged even more shamelessly than usual. The Leipzigers were ready to do something about it. Through the summer and autumn, numbers attending Monday demonstrations kept increasing. When the regime be-

“The most compliant nation can be goaded into protest when the time is right”

gan to panic, it decided to use the Tiananmen Square option, which it believed that Peking had so successfully used in June. Unfortunately, this was the crunch: when people realised that the authorities were ready to shoot more, not less, of them decided to risk their lives. The regime's thuggishness persuaded many to show bravery on that 9 October in Leipzig.

In Latvia, one night before an expected assault by Russian troops in February 1991, I met an elderly couple dancing in the packed city streets: they parted their way through the night, so that their presence, and that of thousands of others, might make the political cost of a military assault unacceptably high. When the going gets tougher, the decisions, in some respects, get easier. In Stalinist times, it was literally suicidal to defy the authorities. But in less obviously murderous regimes, the risks are worth weighing up. Indeed, it sometimes seems that there are no real choices. As the old saying put it: if not now, when?

In Serbia today, the balance seems to have been tipped. Slobodan Milosevic is not finished. But he is living on borrowed time - partly because of those who have been ready to risk the potential violence. There must now be room for hope that a true history of Serbia, and of its ignominious leader, will one day be written for the next generation of young Serbs.



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Police surveillance powers must be watched

The unemployed were free to leave the ordinary work of the workhouse, and the system in which every man would understand the meaning of the term "unemployed" as readily in fact as Paul Magrath, Boston

shaping current housing provisions in this year's Budget, housing did not find a place at the top of Kenneth Clarke's agenda - for cuts.

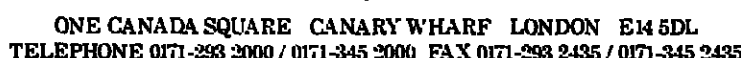
As a result, the National Housing Federation estimates that the Government will not even come close to building the modest 40,000 new social lettings planned for 1997 - there will be a shortfall of 26,000 affordable homes for

many of the homeless it is an
acceptable deal.
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homeless people and beggars
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valuable to my homework
to the books on the library
Unfortunately, today's
libraries are often closed
weekday evenings, as a re

Ninety minutes of homework bring their school week well beyond the 48 hours considered the maximum week for adult Europeans.

LINDA BARLEY
Spishby, Lincolnshire

subscribed by the private sector, received 6,039,145 visitors and made a profit of £8.2m, still being applied to charitable purposes.

An odious comparison indeed!

PATRICK MIDDLETON
*Royal Commission for the
Exhibition of 1851
London SW7*

As a result, the National Housing Federation estimates that the Government will not even come close to building the modest 60,000 new social lettings planned for 1997 – there will be a shortfall of 26,000 affordable homes for



For many of the homeless it is an unacceptable deal.
ADAM BLUE
Carlisle, Cumbria
The writer was once homeless

Sir: Homeless people and beggars
 are not necessarily synonymous
 ("Hey Jimmy: heard about the
 minister who thinks most beggars

accommodation in the Tower be prepared for someone from the Bank of England?
PETER DRAPER
Meldreth, Cambridgeshire

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E-mail correspondents are as*

If a Year 5 (9/10-year-old) child spends 10 minutes a night learning

Unfortunately, today's public libraries are often closed on weekday evenings, as a result of

Ninety minutes of homework will bring their school week well beyond the 48 hours considered the maximum week for adult Europeans.

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analysis

Double standards for terrorists

Even the dogs on the streets of Belfast know that the loyalist paramilitaries have broken their ceasefire. Why, then, are they still at the peace talks, asks David McKittrick

The tooth fairy made its first ever recorded appearance in Northern Ireland politics, this week, brandished with biting wit by one QC against another.

UK Unionist Party leader Robert McCartney used the mythical creature to slice through Sir Patrick Mayhew's reluctance to blame loyalists for the two boobytrap bombs placed under republican cars last month.

He combined scorn and bitter Belfast humour to challenge the Northern Ireland Secretary's obfuscations: "Do you think it was the tooth fairy that planted the bombs? Do you think it is a band of tooth fairies that are breaking legs and crucifying people throughout Northern Ireland?"

He was not the only one to believe that Sir Patrick was telling fairy tales with his assertions, in the teeth of all the evidence, that the loyalist ceasefire was intact. The minister's claims were greeted with general derision in political circles.

More amusement greeted the assertion of his deputy, Sir John Wheeler, who employed considerable linguistic ingenuity to describe the loyalist ceasefire as "partially intact". Yet this was more than just an opportunity to chuckle at a minister's public discomfiture. It was an episode that posed

far-reaching questions about this government's approach to Northern Ireland and the peace process.

It is worth asking how a minister came to be making statements that nobody in Ireland believes and how the Government exposed itself to such ridicule. It is also worth looking at the likely lasting effects of the whole bizarre performance.

The dogs in the street knew loyalists planted the bomb that injured republican Eddie Copeland, and the device that a Londonderry republican spotted beneath his car. Loyalist sources said it so did security sources; and so, in a radio interview, did RUC Chief Constable Ronnie Flanagan.

Sir Patrick's motivation in striking a pose so much at odds with reality was to avoid having the political representatives of loyalist paramilitary groups expelled from the Stormont talks. The arguments in favour of their ejection are clear enough.

Fringe loyalists such as David Ervine and Gary McMichael have won widespread respect for their performance. They are articulate and, in the eyes of most observers, genuine when they say they want to move their associates away from paramilitarism and into politics.

The two fringe loyalist parties, the Progressive Union-

ists and Ulster Democratic Party, have their own mandate, having won 5.7 per cent of the vote in an election last year. But it is also well understood that they have strong links with the paramilitaries and in effect speak for them.

They were allowed to join the more orthodox parties at the talks because the loyalist ceasefire was still in existence and because they formally subscribed to the Mitchell principles of non-violence. In doing so they solemnly declared their "total and absolute commitment to democratic and exclusively peaceful means of resolving political issues". Yet they have repeatedly refused to condemn the bombings.

The boobytrap attacks were not the only departure from these high ideals. Last summer a loyalist renegade outfit killed a Catholic. The paramilitary bosses then issued a public death threat against two of the dissidents. Like the IRA, the loyalist groups persist in carrying out frequent savage "punishment attacks" in the ghettos.

Like the IRA, they have decommitted none of their weapons, and show no sign of ever doing so.

In fact their ceasefire, declared in October 1994, makes it clear that their suspension of violence is highly conditional. It was, and is, con-

ditional on two separate counts, being explicitly dependent on republican violence and on their belief that the union with Britain is safe.

In sum, it is not perfectionist pedantry to conclude that the loyalist record of commitment to democratic means alone is far from perfect. There has been a fair bit of what Sir Patrick's deputy, Michael Ancram, described this week as "dishonouring of the democratic principle". If the Mitchell principles are to be strictly adhered to, it is clear there are telling arguments for their ejection.

But it is also clear that ministers will do everything they can to keep the loyalists at the table: wars, boobytraps and all. Their approach is not purist but purely pragmatic, for there are strong reasons for not banishing the loyalists.

Principal among these is the saving of lives. The hard fact is that casting out the loyalists would almost certainly produce an escalation in violence. Some of the political loyalists say privately that their presence at the

Stormont table has helped steady the militants in the ranks, and that without this access to political life the ceasefire would have collapsed long ago.

Their expulsion from the talks, they argue, would remove this crucial political constraint: the paramilitary bosses would abandon the experiment of giving politics a chance and go back to war, with a vengeance.

The IRA, with its recent attacks, is either banking on such a violent loyalist upsurge or is at best indifferent to it. If both sides take to the field again together, the result is likely to be a new spiral of violence on a scale not seen for years. Such a scenario would mean not only loss of life but also greatly reduced chances of reviving the peace process or maintaining the talks process.

This perspective was summed up by Ulster Unionist leader David Trimble, who urged caution and warned: "We must not act in a precipitate way so as to bring about more violence." This approach, if applied to the IRA at any stage, would be instantly denounced by the Government and Union-

ists as crass appeasement: this time it was quietly accepted.

Another cogent argument is that the banishment of the loyalists would probably wreck the talks themselves. With Sinn Féin absent and the talks remaining deadlocked on the arms decommissioning issue, the talks have little real public credibility as it is. A loyalist departure could finish them off.

Even if it did not do so immediately, it would practically preclude the possibility of any eventual agreement in negotiations. McCartney and his close ally, Ian Paisley, have made it plain enough that they have no interest in reaching a deal with nationalists.

Trimble has shown no enthusiasm in this direction either; for the talks to have even a notional chance of success it is necessary to envisage not a Hume-Adams agreement but a Hume-Trimble accord. Some in government cling to the hope that this might be possible, on the far side of the general election.

But for that to come about Trimble would need a top-up

from other Unionists to meet the official requirement of achieving "sufficient consensus" from each community and realistically the only candidates in sight to give him support are the fringe loyalists. If the loyalists go, they will therefore take with them most of the remaining hopes for a negotiated agreement.

Such considerations help explain why Sir Patrick, faced with such a dilemma, opted to try to keep the loyalists inside the tent. But in doing so not with some degree of frankness, but rather with an explanation that can only be described as credibility-free, he has probably stored up trouble for his successor.

This is because his stance will be cited, for years ahead, in the never-ending and crucially important debate within Irish nationalism on whether Britain is neutral in Ireland, and whether it deals even-handedly with Unionists and nationalists. Its importance lies in the fact that the IRA uses the assertion that the British are

attempt to justify its acts of terrorism.

Those who argue that Britain is neutral have taken a real pounding in recent months from their opponents, who argue that the Government kept the republicans out of talks and refused to criticise Trimble and other Unionist leaders associated with the summer's immensely damaging marching confrontation at Drumcree.

Now, the charge goes, Sir Patrick has shown himself as determined to keep the loyalists in talks as he has been to keep the republicans out. Sinn Féin's press office on the Falls Road, aware of the Government's vulnerability on this point, has all week been churning out press releases accusing him of hypocrisy and worse. Sinn Féin sent an increased vote coming from all this.

It is in fact next to impossible to deny that the Government treats republican and loyalist terrorists in different ways. The IRA, seeking to overthrow the state, has killed around 2,000 people, almost half of them members of the British security forces.

The organisation ignites deep passions in the Government, triggering a strong emotional charge among many policy-makers. The loyalists, who say they fight to maintain the state, have killed around 1,000 people, most of whom have been Catholic civilians. The official mind sees them as less threatening, and is able to deal with their menace in a less heated, more clinical way.

The 1994 IRA ceasefire elicited from the Government, almost instinctively, a challenging and generally confrontational stance. A very different instinct was visible this week towards the loyalist side in Northern Ireland: a sense that every effort had to be made to coax and help them make the transition from terror to talks.

Nationalist Ireland is very receptive to the concept of welcoming prodigals into the fold: Unionist Ulster less so. But both sides would have welcomed a more honest explanation of government policy than they had this week: no one likes condescension, or having their intelligence insulted.

But even so, the sense that the Government has one set of standards for the loyalists and another for republicans has rarely been more heightened. During the peace process the republicans were handled as though radioactive; now the loyalists are benefiting from pragmatism in plenty. The belief that double standards are being employed, and the image of Sir Patrick and his tooth fairies, will take a long time to dispel.



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The election clichés will come out fighting

Where is the next election?

In the office.

Is it just in the office?

No. It is also almost upon us. Coming ever nearer and nearer. Imminent.

And what will it bring, this imminent election?

Clichés.

How many clichés?

Clichés galore. Loads of clichés. More clichés.

More clichés than what?

More clichés than you can shake a stick at.

Good. How is the Prime Minister looking forward to it?

He is raring.

Raring? Raring to what?

Sorry. Raring to go. He is very eager.

For what is he eager?

The fray.

And before he enters the fray, what part of his clothing will he roll up?

His trouser-legs?

I think not. Higher ...

His sleeves! He will roll up his sleeves and get down to it!

Good. But tell me, if the Prime Minister is raring to go, why has he not called an election named after a popular card game?

A snap election?

Exactly.

Because he has been biding.

Biding what?

His time. He has also been waiting.

Just waiting?

No. He has also been seeing. Waiting and seeing.

And yet the PM enjoys elections?

Yes. That is because he is a glutton.

For what corrective treatment is he a glutton?

For punishment. So he will come out.

What will the PM be doing as he comes out?



Miles Kingston

Fighting.

What will he do with this fight?

He will take it.

Where will he take the fight?

To the enemy.

Is he a good fighter?

Oh, yes. He can dish it out.

But that isn't all he can do, is it?

No. He can also take it.

On what part of the anatomy can he take it?

His chin. Despite his ignorance.

His ignorance? What does he not know?

When he is beaten.

In what undignified position will he not take it?

Lying down.

Thank you. Do people think he can win?

Some do. They think he is on a small breakfast item.

On what small breakfast item do they think John Major is?

A roll. But others think he is on a hiding.

Is he on a hiding to a very small number?

Yes. He is on a hiding to nothing.

I see. Will he give up?

Never. He will always grasp.

At what?

At straws.

And in what part of the atmosphere are these straws of which you speak?

In the wind.

So this could be quite a tussle, this election?

Oh, yes. It will be a cliffhanger.

What part of their anatomy will people be biting?

Their nails.

What noise will the battle make?

Ding dong.

And where will it go to?

The wire.

Thank you, Mr cliché expert.

Not at all. Incidentally ...

Yes?

There is a good chance that many Irish readers will write in and complain that we have stolen this cliché expert idea from their Myles na Gopaleen.

Oh, dear. And what do we tell them?

That he stole it from an American called Frank Sullivan in the first place.

Thank you.

Not at all.

British Airways becomes a campaign issue



Donald MacIntyre

But the row should not be about Europe – the real themes are large but domestic

What could be juicier? It's a Euro-sceptic's dream. Neatly timed for the election, a tailor-made row with Europe. The villain is not merely a foreigner, but a European Commissioner who threatens to take Britain to court and has the backing of fellow Commissioner Neil Kinnock.

The issue is a deal with American Airlines which will increase the domination of British Airways, the dashing success story of the Government's privatisation programme, as a global force, and which the Commission wants to unravel. Surely it's a gift to the Tories, just the chance John Major and his President of the Board of Trade, Ian Lang, need to show that they are ready to stand up to Brussels.

That's certainly the version currently running nightly in the Tory tabloids. And it isn't completely baseless. It wasn't necessarily all that smart for Kinnock to tell the EU's Competition Commission, to threaten court action in his otherwise rather persuasive letter expressing concern about the BA American deal. Some of those criticising Mr Van Miert seem to forget that he is acting to enforce competition in the single market – the one aspect of the EU to which Margaret Thatcher, among many others, wholeheartedly signed up. There are big arguments among lawyers over whether it is a matter of EC competence at all. The Labour Party, for example, in contrast to its former leader, cautiously accepts the Government's argument that the Commission does not have the authority to decide whether the deal is or isn't competitive. And it rumbles that for too many years European aviation wasn't exactly a showpiece of free competition. Artificially high fares and a history of some £7.5bn in EC-sanctioned subsidies to bale out national airlines don't exactly inspire confidence in the Commission as the traveller's best friend.

But the primary row isn't, or shouldn't be, about Europe at all. The real themes are large but domestic: privatisation and how it was carried out; competition policy; the influence of industry on the political process. The two main business players, Bob Ayling, BA's chairman, and Virgin's Richard Branson, are figures so big that politicians in both the main parties would cheerfully sell their own grandmothers in return for a pre-election endorsement from either. And it isn't at all clear that this is going to be such an easy issue for the Government in the run-up to the election.

The bald facts, unlike everything else in this story, are relatively simple: British Airways currently operates 244 flights a week from Britain to 22 US airports. American Airlines runs only six fewer, between seven US airports to 12 destinations in Europe. Under an "alliance" concluded with the US airline, BA will stop competing with American on all these routes and they will both co-operate instead, sharing the

undoubtedly handsome profits between them.

The Office of Fair Trading, which looked at the deal, accepted that it could go ahead without a reference to the Monopolies Commission provided that British Airways gave up – by selling rather than donating – 168 "slots" (or 84 return journey routes) to other airlines. The main rival, Virgin, is arguing ferociously (and, naturally, in its own interest) that this stipulation is nowhere near stringent enough to guarantee competition, that the alliance will control up to 70 percent of the transatlantic market, that prices will drop at first to deter new entrants to the market, and then rise steeply over subsequent years, and that the deal is just plain non-competitive. So, too, do BA's other rivals, and so does Mr Van Miert, who has pointed out that on 13 routes the two airlines will now enjoy a 100 per cent monopoly and on some others, such as London-New York, London-Boston and London-Chicago, an 80 per cent one.

The Consumers' Association, in a fairly devastating submission to the OFT, warned that the deal would "act to limit real, effective choice for consumers on transatlantic routes". It also warned that the "open skies" agreement which the US authorities are insisting must be a price for any deal – and which Virgin claims will offer rival US airlines access to Europe without widening access to the internal US market – should be struck in the interest of consumers and not "as a response to airline directed pressure".

Whitehall gossip has it that Lang is quite sympathetic to the competition argument but has been under heavy pressure from Michael Heseltine, a man who tends to think that in industry big is beautiful, to OK the deal. There have even been dark – and wholly unsubstantiated – hints that Ayling's generous involvement with the millennium celebrations may be connected with the Government's backing. But you don't have to buy conspiracy theories to recognise that, after several years of ruthless campaigning to fight off competition in the airline industry, British Airways, from Lord King on, have been very big players indeed.

However, the real problem is that British Airways was privatised in something so near monopolistic form, and given overwhelming advantage in terms of "slots" at Heathrow, the world's busiest airport. Maybe that was necessary to get the flotation of what had been an ailing state company off the ground. But it raises a real question over whether, having gone from success to success, it should be operating on a more level playing field. And that's a particularly sharp choice for the party of competition. It would be odd if commercial airline passengers did not even enjoy the choice which ministers say is so important for consumers of the state education system. Lang should refer the deal to the Monopolies and Mergers Commission without delay.

Gilbert and Sullivan. Rimbaud and Verlaine. Crick and Watson. Burke and Hare ... history is full of resonant collaborations, the twinning of heterogeneous talents into a single silken braid. And now a spectacular modern example (as far as the book world is concerned, anyway) – French and Gerrard. Sean French, columnist, author and Bardot fan, and Nicci Gerrard, most sensitive of journalists, have just hit the big time. Their co-written novel, *The Memory Game*, came out this week to a chorus of praise and a background twittering of the purest envy. This is because, not only are the co-authors richer by an advance of (grit teeth) £250,000, they're also married; the story of their blissful union was told in the "Tiddler" supplement of last Sunday's *Observer*. There, the nation's green-eyed horde of chronically blocked and not-got-round-to-it-yet journalists manoeuvred to read of French and Gerrard's rapturous creative duet – of the plot's gestation across the kitchen table, the married pair's harmonious mutual editing (seemingly as carefree as the grooming of primates in Regent's Park), the tidal wave of gin on which knotty

their heads. "Did you read that thing in the *Observer*?" cried one. "I couldn't decide whether to shed it, burn it. Blu-Tac it to the dashboard or just jump up and down on it, screaming." Others, possibly incensed by the special offer advertisement for the novel that appeared with the article ("make Sean and Nicci even richer!") contented themselves with ripping "The Tiddler" in half like a very small telephone directory – literary journalists are rarely built on robust lines – or sending it off, anonymously, to famously war-torn bookish couples of their acquaintance.

Utroubled by these seismic waves, French and Gerrard threw a party on Tuesday to launch their new offspring. They have several gorgeous little girls tumbled wistfully on the stairs and paraded about in silk and taffeta. I paused outside to look for the blue plaque commemorating the most famous front doorstep in literary London (it's the one on which Jeanette Winterson and her girlfriend Peggy Reynolds stood, a few years ago, when they came to berate Ms Gerrard for a disabbling critique, as the latter was hosting a dinner party) but it appeared to have been stolen.

Inside the conversation was all about the recent shake-up in the publishing world – Helen Fraser, the universally liked boss of the Reed Group (Heinemann, Seeker, Methuen and Sinclair-Stevenson) is leaving to run the Penguin Group (Viking, Penguin, Hamish Hamilton and Michael Joseph) thus putting her a notch above the equally-admired "Queen of Publishing", Clare Alexander, and therefore promising an interesting, if terribly polite, battle for supremacy between the two divas in coming months. The talk also turned, again, to Ms Winterson's

narrative *Impassions* were swept away, the gradual realisation that it was "a darker, scarier story than we had anticipated", the finished manuscript, the call from the agent while they were holidaying in Sweden, the two-book deal ...

I'd be happy to report that everyone wished them well – so married, so successful, so lucky – but honesty compels otherwise. The prevailing note on Monday morning was of scores of journalists violently yanking the few sad last grey hairs (Keats, you know) from



French and Gerrard: a literary duet to inspire pure envy

Creative harmony in the kitchen as the plot thickens – it's enough to turn a writer green-eyed

john walsh

ice and gin, then remove the cork from a vermouth bottle, hold it above the surface of the gin and whisper "vermouth...". Over the quivering mercurius. The late Robert Morley, when he was directing an American play in the Haymarket, instructed the actor Ian Carmichael how to make an on-stage dry Martini: put gin and ice in jug, then attach scent-spray bulb to a vermouth bottle and direct a single puff over the top of the jug. Others think the passage of the sun's rays through a vermouth bottle is quite enough of an intrusion, while that shocking old blasphemer, Luis Bunuel, used to insist that the blending of vermouth and gin should be on a par with the seed of the Holy Ghost passing through, without breaking, the hymen of the Virgin Mary.

Then, the other day, I dropped into the Cobden Club, the fashionable new dude ranch at the end of Ladbroke Grove, and watched the real thing being made. The barmaid, a scraggy blonde whose bathwater probably retails at thousands of pounds a bottle, showed me: put slug of vermouth in jug with ice. Shake around a bit. Up-end over sink, losing vermouth, draining ice cubes. Pour vermouth-flavoured ice and gin in cocktail shaker, shake, strain into ice-frosted cocktail glass. Cut bit of lime, twist until drop appears, put result in glass. Serve.

There now. That wasn't too difficult, was it?

Massive excitement in archaeology-land. The Greek minister of culture has just announced the discovery of "the original Lyceum" in central Athens, where Aristotle, the renowned philosopher and alcoholic, invented metaphysics, drama criticism and most of Western civilisation. Departing from the simplistic received notion that the "lyceum" was some kind of school or debating academy, another Ministry of Culture person claims that it's "one of three major gymnasia" of ancient Athens. By a spooky



coincidence, yesterday's *Daily Telegraph* revealed that the Whitehall Palace near Downing Street, built by Henry VIII in 1531, far from being a rest home for clapped-out bureaucrats, was in fact designed as a zippy royal "sports complex" with tennis courts, bowling alleys, cock-fighting pits and, I've no doubt, a whole bungee-jumping roof. It was, if you like, "the original Harbour Club". It would be nice to see it and the original Lyceum restored to their former glory. And after the Lyceum, I look forward to the discovery of "the original Locarno", "the original Roseland" and "the original Palais de Danse".



Aristotle: after the Lyceum, the Locarno?

A peace deal with a fuse attached

Netanyahu's tough stance has left him with an accord he never wanted, says Patrick Cockburn

Few agreements have been negotiated in such a spirit of suspicion and ill-will as prevailed during the four months it took to decide upon Israel's partial withdrawal from Hebron and the West Bank.

Even the arguments successfully used by King Hussein of Jordan last Sunday to persuade Yasser Arafat to agree to postpone Israeli withdrawal until the middle of next year, appealed to the deep distrust with which the Palestinian leader regards Benjamin Netanyahu, the Israeli prime minister.

"If you're too firm, Bibi [Netanyahu] will win and there won't be a Hebron withdrawal," King Hussein reportedly told Mr Arafat in Gaza. "Even if you don't trust him, it's better to commit Netanyahu to a particular date for the further redeployment. And if Netanyahu doesn't fulfil his commitment, you will be able to raise an international hue and cry."

The fact that the agreement reached early yesterday morning is so wide-ranging, covering far more than the pull-out from Hebron, owes much to a miscalculation made by Mr Netanyahu. On becoming prime minister last June he delayed the start of the talks about Hebron and then prolonged them for months. His aim was to focus attention on Hebron and to avoid talking about more important aspects of the accord signed by the defeated Labour government in 1995 whereby the Israeli army was to withdraw in three stages from Palestinian villages.

Withdrawal from Hebron, a Palestinian city of 120,000, does not significantly alter the balance of power between Israel and the Palestinians on the West Bank. It is the seventh such town to be evacuated by the Israeli army. Experience shows that these towns can easily be isolated and economically crippled by a few Israeli



Netanyahu and his foreign minister, David Levy, ponder what comes next after yesterday's agreement

checkpoints. But once Israel redeployes from the villages, where 900,000 out of 1.3 million Palestinians on the West Bank live, then Palestinian control will cease to be confined to small cantons.

In retrospect, from his point of view, Mr Netanyahu might have been better to pull out of Hebron months ago. The Labour government had signed a good deal in 1995 whereby the 400 Jewish settlers – defended by some 1,000 soldiers – would stay in 30 per cent of the city under Israeli control. Palestinians in Hebron at the time were angered by the extent of Mr Arafat's concessions. Mr Netanyahu, for all his claims of a self-out during the election, found it difficult to improve on them.

Mr Netanyahu's strategy of focusing on Hebron was based on his belief, often repeated in his books and speeches, that the Labour government

had exaggerated the political strength of Palestinians and the Arab world, unnecessarily raising their expectations of Israeli concessions. He tough with them, he said, and they will come running. It was a thesis the new prime minister put to the test with a series of provocations, culminating in opening the tunnel in the Muslim quarter of Jerusalem last September.

The result was exactly contrary to what Mr Netanyahu expected. The Palestinian cities exploded. In one day 15 Israelis and 60 Palestinians were killed. The Arab world was enraged. King Hussein, the Arab leader most sympathetic to Mr Netanyahu, went to the prison in Jordan that housed the leader of the group opposed to better relations with Israel, and personally drove him home. Last weekend, moderate Egyptian ambassador in Tel

Aviv said Egypt's peace treaty with Israel was close to collapse.

Mr Netanyahu first attracted attention as a young diplomat in Washington in 1983 when he wrote an article in *The Wall Street Journal* saying the Palestinians were not at the centre of the problems of the Middle East. Within months of taking office he found he was wrong, and he has not been able to develop an alternative strategy. After September Israel was diplomatically isolated. One Israeli commentator worked out that Israel's relations had worsened with 26 states during Mr Netanyahu's first 100 days as prime minister.

The fighting in September also delivered Mr Netanyahu into the hands of the US. He had criticised Shimon Peres, the defeated prime minister, for being too dependent on the US. But in

October he attended a summit in Washington with Mr Arafat and King Hussein. Egypt's President, Hosni Mubarak refused to come. The Israeli leader prided himself that he made no concessions, but he did accept US mediation. Dennis Ross, the American peace envoy, was denounced by Palestinians as being pro-Israeli, but US mediation in practice strengthened the Palestinian hand.

Mr Netanyahu's political position has weakened over the last six months for other reasons. He was never liked by the Israeli establishment in the army, bureaucracy, secret services and the media. Seeing himself, not wholly wrongly, as surrounded by enemies, he worked with a small coterie of untold advisers from the far right. David Bar-Ilan, one of his closest aides, provoked hostility and ridicule in the US when he denounced a *New York Times* columnist as an emissary of anti-Zionist opinion.

Supporters of the Oslo agreement in Israel were jubilant yesterday that with the Hebron agreement Mr Netanyahu and his party have come to a new realism about the Palestinians. It is true that they will be withdrawing from territory that they once said was given by God to the Jews. Many on the right now regard a Palestinian state as inevitable.

A problem with this optimistic view is that the accord agreed in Gaza yesterday is the outcome of the sum total of the pressures brought to bear on Mr Netanyahu rather than a new policy. While Mr Arafat expects 90 per cent of the West Bank, Mr Netanyahu has been telling his supporters that he might hand over less than half. Israeli settlers have in the past reacted to political isolation with extreme violence. Delay in Israeli withdrawal from rural parts of the West Bank gives them a full 18 months to make attacks. The peace accord contains a time bomb that has already started ticking.

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Water regulator warns one-off price cuts possible

Chris Godsmark
Business Correspondent

Privatised water companies could be hit by the kind of savage one-off price cut which has driven British Gas to the Monopolies and Mergers Commission, the industry regulator warned yesterday.

Ian Byatt told MPs at the Commons Trade and Industry Select Committee that the idea of one-off price cuts, which were rejected in his last price review in 1994, were firmly back on the agenda.

Commenting on the much criticised excess profits earned by the companies, he said: "If these high returns continue... then I would think much more in terms of a once and for all reduction in prices as has happened in the energy industries."

The price cuts planned for British Gas's pipeline network, TransCo, by Clare Sportswode, the gas industry regulator, led to an unprecedented public row and the high risk decision by the company to take the issue to the MMC. Ms Sportswode wants to slash TransCo's revenues by 20 per

cent from April, worth almost £30 of average bills.

The principle of a dramatic one-off cut, known in regulatory circles as a "P-nought", was also used by Professor Stephen Littlechild, the electricity regulator, in his recent price cap for National Grid which cuts charges by 20 per cent from April.

The move reflects an increasingly tough stance by Mr Byatt in recent months as several of the 10 privatised water and sewerage businesses have failed to meet Ofwat investment targets. The current price formula

allows water bills to increase by an average of 1.5 per cent above inflation to pay for the huge backlog of under-investment from before the industry sell-off.

Mr Byatt told MPs his ideal rate of return on investment for water companies was some 5 to 6 per cent, compared with a current average rate of return earned by the 10 companies of more than 12 per cent, with Welsh Water and Northumbrian Water earning the highest returns.

Simon Flowers, head of utilities at NatWest Markets, said a one-off cut

would hit companies' profits in the first year, though the crucial factor was whether prices rose or fell in following years. "This would seem to be a vindication of the strategy at Ofgas. In the light of the British Gas example Ian Byatt has been portrayed as being the most lenient regulator on prices, but he's been rattling the companies' cages for some months now," he commented.

Last night, water companies reacted with scepticism to the idea of one-off price cuts. Barry Delahou, head of regulation for Southern Water, said

a cut on the scale of that planned for British Gas would be "ridiculous". He continued: "We will be arguing that there's still heavy investment needed and we have got the heaviest investment programme of all."

However, Frank Dobson, Labour's environment spokesman, was unimpressed by the move. "It's a bit late in the day and I don't think this will do anything permanent."

The current price control period was originally intended to last from the 10 years from 1995, with increases in bills in real terms also planned for

2000-2005. However, last October Mr Byatt said he would review the formula by 1999 and has indicated recently that from 2000 the companies can expect cuts in real terms along the lines of those in other regulated industries.

Mr Byatt has already warned that he may ask some companies not to implement the full price increases from April. Water bills have to be sent out in advance of the next billing year, and need to be printed from the end of next month.

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Pension fund voices fears over Morgan Grenfell

Jill Treanor
and Patrick Toohy

A top pension fund client of Morgan Grenfell Asset Management indicated yesterday that the sudden suspension of Nicola Horlick, one of the City's best known fund managers, could be the decisive factor in prompting it to take its business elsewhere.

This would come as a severe blow to Morgan Grenfell, which has been battling to rebuild morale and retain clients, after the Peter Young affair which had already cost the jobs of some of the most highly respected names at the group, including Keith Percy, chief executive of Morgan Grenfell Asset Management.

Geoff Henry, chief executive of the Merchant Navy Officers' Pension Fund, which has around £50m invested with MGAM, said the trustees of his fund were concerned about the management structure of the group when the antics of Peter Young were uncovered.

"What we're seeing now [with the suspension of Mrs Horlick] is a vital element being removed from the situation. That is a destabilisation," said Mr Henry. The trustees' previous concern had not been about the investment track record, but more about the internal management of the operation, he said.

However, Morgan Grenfell was understood to be confident that it would not lose business as a result of the affair.

Mrs Horlick was suspended after Deutsche Morgan Grenfell suspected that she had attempted to lure as many as 20 colleagues from the fund



Tim Horlick, Nicola's banker husband, faces a legal action

management group to join a rival investment management firm.

But the move appears to have backfired after she approached potential candidates before signing a conclusive deal with ABN Amro, the Dutch banking group with which she was widely believed to be in negotiation.

"We never comment on who we are talking to before anything is concluded," a spokesman for ABN Amro in Amsterdam said yesterday.

But he added: "We are surprised to be mentioned in the context of poaching, which would, by its nature, imply you are planning to take a whole team, which we are not."

"When it comes down to talking to individual people, you are not talking about poaching," he said.

Morgan Grenfell insiders suggested yesterday that Mrs Horlick, like others in the City, had been known to make noises about tendering her resignation around this time of year. This is

because bonuses are paid late next month and a resignation threat encourages employers to beef up bonus payments and remuneration deals.

It emerged yesterday that Mrs Horlick's investment banker husband, Tim, who works at Salomon Brothers, is fighting a legal action by his previous employer, Dresdner Kleinwort Benson.

"An injunction was taken out at the end of July and we are still continuing the legal proceedings until an acceptable final settlement has been reached," a spokesman for Kleinwort said.

Both Salomon Brothers, which is not cited in the injunction, and Mr Horlick, declined to comment.

The precise details of Mrs Horlick's pay deal remain a mystery although sources said that in a good year her total package could easily top £1m.

She was not a director of Morgan Grenfell Asset Management but is a managing director of another subsidiary - Morgan Grenfell Investment Management.

A search at Companies House showed that the highest paid director at Morgan Grenfell Investment Management in the 1995 financial year earned £248,000. But that is likely to exclude any bonus payments.

Morgan Grenfell insiders said they found it perplexing that she might be considering another offer even though was the heir apparent to Robert Smith, the new chief executive of the fund management group.

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High flyer: Nicola Horlick, pictured yesterday, could earn a total package of more than £1m in a good year at Morgan Grenfell, sources said
Photograph: National Pictures

BoE appoints Buxton as director

John Willcock

Andrew Buxton, chairman of Barclays Bank, is one of two new directors appointed yesterday by the Bank of England. He will be the first serving chairman of a clearing bank to become a member of the court.

Alastair Clark, at present a deputy director of the Bank responsible for the Financial Structure area, will now become executive director of that division.

The duo replace Sir Jeremy Morse, formerly a chairman of Lloyds Bank, and Pen Kent, who are both retiring.

Mr Kent has been a noted troubleshooter for the Bank during his 35 year service, notably in launching the design of Crest following the collapse of the London Stock Exchange's proposed automated share settlement system Taurus four years ago.

Mr Buxton is a scion of the 20-odd Quaker families that originally founded what became Barclays Bank. He joined Barclays in 1963 and worked his way to the top. He is also chairman of the CBI's influential Economic Affairs Committee and chairman of the Overseas Project Board at the DTL. Mr Buxton faced criticism in the press and around the City when he combined the jobs of chairman and chief executive at Barclays in 1993, after the resignation of John Quinton as chairman. This combination of roles went against the Cadbury Committee recommendations, and coincided with a rocky time for Barclays as a huge property lending binge in the late 1980s came home to roost in the form of bad debt provisions.

This criticism turned to praise in 1994 when Mr Buxton appointed Martin Taylor as chief

executive. Mr Buxton earned further plaudits when the Bank of England called for help to try and rescue Barings, the merchant bank struck down by Nick Leeson's unauthorised trading losses.

Although the rescue package put together by the Bank was unsuccessful, Mr Buxton's leadership in co-ordinating support for the attempt will have done him no harm in the Bank's eyes.

In addition yesterday the Bank announced that two directors have been reappointed for further four-year terms:



Andrew Buxton: First active clearing chairman on court

Mrs Frances Heaton, a director of Lazard Brothers, and Sir Chips Keswick, chairman of Hambros Bank.

John Footman, the Secretary of the Bank and the Bank's chief press officer, will succeed Alastair Clark as deputy director in the Financial Structure area. Mr Footman will be succeeded by Peter Rodgers, at present financial editor of *The Independent*. As Secretary of the Bank, Mr Rodgers will take over Mr Footman's responsibilities for press matters.

People, page 24

Drop in jobless figures sparks fresh row

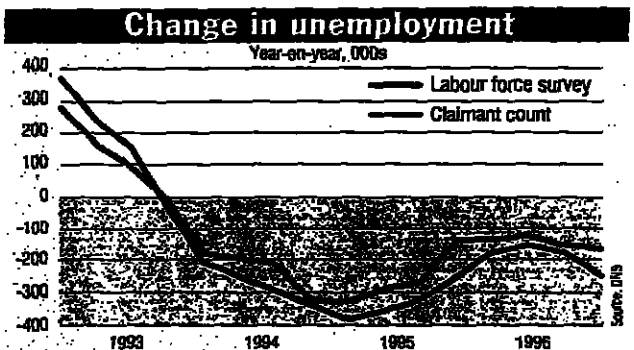
Diane Coyle
Economics Editor

A fierce pre-election row broke out yesterday as the Labour Party challenged official figures showing unemployment falling by more than 45,000 to a six-year low last month.

The Government pounced on the big decline in the number of people claiming unemployment benefit as further evidence of the economy's strength - one of its key electoral cards. But critics said the effects of the Jobseekers' Allowance and the benefit fraud hotline made the headline jobless total meaningless.

John Major, the Prime Minister, described the figures as a "tonic". "Unemployment is falling right across the country and the smile on Britain's face can be seen from space," Mr Major said.

But Labour's employment spokesman, Ian McCartney, said the Government's claims were in the realms of fantasy. "Unemployment has struck



deep into the heart of middle England," he said.

Labour claimed that 17 significant changes to the jobless definition had reduced the number of claimants by 529,000. The party cited OECD figures showing nearly one in five non-pensioner households in Britain had nobody in work, one of the highest levels in the industrial world.

City experts did not expect yesterday's batch of labour market statistics to affect the Chancellor of the Exchequer's verdict

on interest rates at his meeting with the Governor of the Bank of England late yesterday afternoon. Economists agreed that the true unemployment picture was obscure, and were reassured by separate figures showing that earnings growth has remained flat.

The credibility of the headline jobless total has been undermined by a number of independent reports - including one prepared by the Office for National Statistics last year

- calling on the Government to measure unemployment by a monthly survey which covers people not eligible for benefit, rather than the number of unemployment benefit claimants. But ministers turned down the advice on grounds of cost.

The fresh row broke out yesterday because the quarterly survey of the labour force showed a much smaller drop in unemployment in September-November than the claimant count indicated.

According to the survey, unemployment fell by only 32,000 during those three months, while the number of claimants dropped by 114,000. Yesterday's figures showed a further fall of 45,100 in the claimant count in December, to 1,884,700.

The Treasury said a divergence between the two measures was not unusual, and they tended to move together over time.

However, the claimant count has been artificially reduced since the autumn by the introduction of the Jobseekers' Al-

lowance (JSA) and the fraud hotline.

The JSA has taken at least 10,000 off the unemployment register, while there have been 135,000 calls to the hotline. But the ONS said it was not possible to estimate the full size of the impact yet, and statisticians also declined to put a figure on the current trend in unemployment.

Other evidence suggested that the labour market is not picking up as much as the headline unemployment total would indicate. In particular, average earnings grew at an underlying rate of 4 per cent in the year to November, the same as the previous four months.

On the other hand, the quarterly labour force survey showed a strong expansion in employment in September-November. The number of people with jobs rose by 130,000.

Usually, this was mainly due to a rise in the number of full-time jobs. Of the 283,000 new jobs over the year to November, just over half were part-time.

BZW simulates battle to minimise the risk

Jill Treanor
Banking Correspondent

City dealing rooms are often depicted as battlefields where traders slug it out to win the best price for their trades and make as much money as possible.

But BZW, the investment banking arm of Barclays, is taking the comparison one step further through a new research project with the Defence Evaluation and Research Agency (DERA) of the Ministry of Defence.

The project - known as the Financial Laboratory Club - will bring simulated battlefields to the dealing room in an attempt to develop new solutions to the problems of risk management in the City.

BZW hopes the project will allow its levels of staff to better understand the risks being taken. It should also provide more accurate calculations of

the amount of capital which needs to be set aside by the bank and also make for accurate, and more competitive, pricing of financial instruments.

It may all seem far-fetched but according to Martin Dooney, global head of money markets at BZW, the stresses and strains facing the trader in a City dealing room and a fighter pilot flying at 20,000 feet are similar.

The risks are obviously different. For the crew of a main battle tank it could be missile defences of the opposing force and for the bond trader it could be movement of short-term interest rates," Mr Dooney said.

"However, we each have to develop tactics to counter risk and we need to develop systems which can be used by individuals working under the high stress loads usually associated with high risk environments," he said.

BZW hopes the project will keep it ahead of its rivals in a highly competitive trading environment in which margins are falling and costs of staff rising.

The Club has £1.8m of funding for the first two years. Of that, the Government is making a £750,000 grant and BZW is providing £250,000.

Regulators such as the Bank of England are expressing an interest in the project.

While fighter pilots and traders face similar challenges, fighter pilots only receive the most relevant information they need to make decisions. In contrast, traders suffer from what BZW calls information overload - a deluge of statistics about interest and currencies, say, are displayed on banks of computer screens while phones constantly ring.

Comment, page 21

Norwich Union names Harvey as next head

Norwich Union yesterday chose a safe internal succession for the chief executive job ahead of the flotation later this year by nominating Richard Harvey, the finance director, as his apparent.

He is to succeed Allan Bridge-water as group chief executive at the end of 1997, Norwich said.

Mr Harvey has been appointed deputy group chief executive in the meantime, in addition to his existing responsibilities.

"The appointment clarifies the question of succession in advance of Norwich Union's planned flotation," the company said.

Mr Harvey, 46, joined Norwich Union in 1992 as head of its New Zealand operation, after running Sun Alliance's life insurance business there. He returned to the UK in 1993, became the group's actuary in 1994 and joined the main board in 1995.

The next stage in the Norwich flotation is scheduled for the spring when there is to be an extraordinary general meeting. A circular giving details of the flotation will be sent out before the extraordinary general meeting to the policyholders who currently own the group.

Mr Harvey has been appointed deputy group chief executive in the meantime, in addition to his existing responsibilities.

STOCK MARKETS									
FTSE 100									
Index	Close	Day's change	Change (%)	1996/97 High	1996/97 Low	YTD %	1996/97 High	1996/97 Low	YTD %
FTSE 100	4158.90	-9.30	-0.2	4168.20	3632.30	3.75	4168.20	3632.30	3.75
FTSE 250	4590.00	+2.80	+0.1	4598.60	4015.30	3.42	4598.60	4015.30	3.42
FTSE 350	2095.30	-3.40	-0.2	2099.70	1815.50	3.68	2099.70	1815.50	3.68
FTSE Smallcap	2287.20	+8.50	+0.4	2287.20	1954.06	2.98	2287.20	1954.06	2.98
FTSE All-Share	2040.16	-2.40	-0.1	2042.50	1791.35	3.62	2042.50	1791.35	3.62
New York	6728.81	-33.49	-0.5	6732.29	5092.94	1.98	6732.29	5092.94	1.98
Tokyo	12768.05	-472.78	-3.6	12768.05	10204.67	3.157	12768.05	10204.67	3.157
Hong Kong	2086.45	+39.57	+1.9	2086.45	2263.36	1.531	2086.45	2263.36	1.531
Frankfurt									

INTEREST RATES									
Short sterling									
Index	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year	10 Year
UK	6.13	5.88	5.53	5.29	5.11	4.95	4.80	4.65	4.50
US	5.38	5.84	5.55	5.82	6.80	8.11			
Japan	0.41	0.44	2.44	1.66					
Germany	3.13	3.09	3.77	5.88	6.65	6.62			
Bond yields									
Index	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year	10 Year
UK	6.13	5.88	5.53	5.29	5.11	4.95	4.80	4.65	4.50
US	5.38	5.84	5.55	5.82	6.80	8.11			
Japan	0.41	0.44	2.44	1.66					
Germany	3.13	3.09	3.77	5.88	6.65	6.62			
MAIN PRICE CHANGES									
Index	Price	Change	% Change	Price	Change	% Change	Price	Change	% Change
Premier Oil	43	2	4.9	Unilever	259	11.5	4.3		
Standard Chartered	744.5	33	4.6	Danka Bus Sys	543.5	21.5	3.8		
South West Water	635	27.5	4.5	Rolls-Royce	232	9	3.7		

CURRENCIES									
Pound									
Index	Yesterday	Change	% Change	Yesterday	Change	% Change	Yesterday	Change	% Change
\$ (London)	1.6890	+0.001	0.0595	£ (London)	0.5992	-0.02	0.6534		
\$ (New York)	1.6815	-0.15	1.5335	£ (New York)	0.5947	-0.05	0.6533		
DM (London)	2.6603	+0.089	2.2415	DM (London)	1.5940	+0.359	1.4646		
¥ (London)	195.048	+11	161.445	¥ (London)	118.865	+10.54	105.495		
₹ (London)	95.9	-0.2	83.2	₹ (London)	89.5	-0.2	85.4		
OTHER INDICATORS									
Index	Yesterday	Day's change	% change	Index	Yesterday	Day's change	% change	Index	Yesterday
Oil Brent \$	23.16	-0.24	1.09	RPI	159.9+2.7%	149.8	16 Jan		
Gold \$	354.25	+2.95	398.25	GDP	108.9+2.3%	105.7	27 Jan		
Gold £	211.25	-2.77	260.05	Base Rates	-6.00%	6.75			

business

The future is still a lottery for Stanley

THE INVESTMENT COLUMN

EDITED BY TOM STEVENSON

The gaming industry is in such a state of flux currently that valuing companies such as Stanley Leisure requires some pretty heroic assumptions about future developments. Next month, for example, Camelot introduces a mid-week lottery while deregulation of casinos, putting more slot machines alongside the tables and licensing 20 new regions around the country, is set to happen but the timing is unclear.

Add in the prospect of a change of government, most likely to a party for which gaming reform is pretty low down its list of priorities, and the outlook is at best uncertain. The long-term picture, however, remains attractive.

Stanley's betting shops are a good example of the extent to which the industry has been prodded by the National Lottery into creating a better quality earnings stream. Thirty years ago the harsh winter of 1963 effectively shut down the country's betting shops because there was no racing. Now bookies take bets on four televised football matches a week, the Irish lottery and a new rival to the National Lottery called 49s. It is a much better betting business and even within the 72 per cent of turnover represented by racing, all-weather tracks have made meetings more reliable.

Even diversification, however, cannot be expected to protect against a 25,000 to one long-shot like Frankie Dettori's clean sweep at Ascot last year. Stanley's £2m hit on that day in effect wiped out profits at its new Gus Carter acquisition and pegged the pre-tax profits rise for the six months to October to 21 per cent.

Profits before tax moved ahead from £6.2m to £7.4m, pushing earnings per share from 3.76p to 4.51p. That meant Stanley was able to recommend a 20 per cent rise in the interim dividend. These were impressive figures but analysts still managed to find one or two niggling worries.

Analysts' biggest concern lay in evidence of margin pressure in both the bookies and casinos, where punters are said to be getting better at beating the house, by fair means and foul. Better training is expected to give staff a sharper eye and improve Stanley's return. There were also worries about a pretty anaemic 3 per cent rise in sales from the betting shop arm. The success of betting on the Irish lottery might have been expected to boost turnover by more than inflation.

Still, most brokers were talking about raising their forecasts yesterday and a full year outcome of about £23m now looks likely. That would put the shares, up 17.5p to 294p yesterday, on a prospective price/earnings ratio of

Darty drags Kingfisher down

Yesterday's 15.5p fall in Kingfisher's share price looks slightly harsh on the retailer which turned in one of the season's better Christmas trading updates.

Stripping out new store openings, like-for-like sales rose by 7.8 per cent, which was better than Boots and only marginally behind Dixons.

The group figure included double-digit gains from both Woolworths and Comet. This was impressive as both were up against strong comparisons the previous year. The performance from Woolworths was even better given that the toy market appears to have lost sales to rival products such as sports clothing this year.

And if the recent figures from Adams were anything to go by, then the

childrenswear market has not been easy either.

B&Q did well, buoyed by the gradual recovery in the housing market. And Superdrug delivered a 5 per cent increase in like-for-like sales.

Ironically it is now Darty, the French electrical chain, which is dragging the group performance back. Its like-for-like sales rose by just 2.4 per cent.

Only a couple of years ago it was Darty which was Kingfisher's saviour when internal problems damaged the performance of Comet and Woolworths, resulting in the group's calamitous 1994 profits warning.

Though Kingfisher's shares have risen by more than 60 per cent since then, yesterday's bout of profit taking makes the shares look attractive once more at 654.5p.

On upgraded analyst profit forecasts of £380m this year and £445m next time, they trade on a forward rating of 16 falling to 14. This is a discount to the sector that is due more to the disappointments of 1994 than fundamentals. It is worth pointing out that just a year ago analysts were forecasting Kingfisher 1996-97 profits of just £310m.

Woolworths' problems back then were due to errors that have been sort-

ed out rather than any underlying difficulty.

Comet should benefit from the PC boom and B&Q should be selling paint and pliers like no tomorrow if the housing market forecasts prove true.

If Darty returns to form as well, then Sir Geoff Mulcahy will have pulled off a remarkable recovery. The company has disappointed before, but the shares look good value.

Denby sets itself a place in US

Out of every cloud comes a silver lining and the one from Coloroll, the collapsed 1980s stock market star, is Denby, the pottery group. Bought out by management in 1990 and floated at 150p in June 1994, the group's shares have more than doubled, rising another 7p to 277.5p yesterday.

The reason for the latest strength was an upbeat annual general meeting statement announcing that sales jumped ahead by 15 per cent in the first three months of the year to December. The buoyant current trading picture builds on an impressive record which has seen profits jump from £2.76m to £4.76m in the past three years.

Denby, founded in 1809, has been revitalised by a renewed concentration on design, aiming in particular at the "aspirational" market of young newly-weds and the like. Cleverly pitched just below Wedgwood and Royal Doulton's rather more formal products, Denby has probably rightly assumed that the days of bringing out the best china for special occasions are waning.

But while it continues to add to what it claims is a leading position in the UK, the one-off gains from its refocusing there seem to be largely over. The domestic market has been flat for several years and most of the growth is coming from overseas markets, where Denby seems to be replicating its success.

Although it has been across the Atlantic for most of this decade, sales in the US continue to rise at rates above 30 per cent. It seems that Americans have taken to this type of crockery in a big way and, since September, to Denby's matching glassware range which it reintroduced after a 10-year gap.

The rip-roaring pound could represent a problem if it is sustained. Denby says only a fifth of its revenues are in foreign currencies and an average 7 per cent rise in prices means it is covered up to around \$1.64.

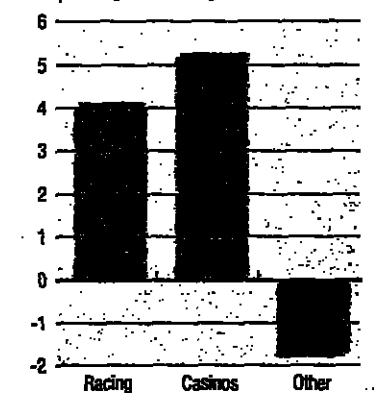
But even assuming no sterling impact, an unchanged profit forecast of £6.9m for the current year puts the shares on a chunky forward rating of 20. Hold.

Stanley Leisure: at a glance

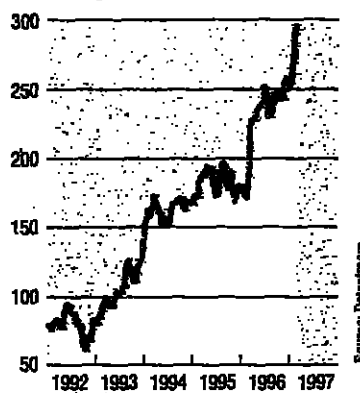
Market value: £333.8m, share price 297.5p

Trading record	1994	1995	1996	1995	1996
Turnover (£m)	265	293	318	164.2	209.6
Pre-tax profits (£m)	12.4	17.0	14.8	6.11	7.40
Earnings per share (pence)	9.0	10.6	9.3	3.76	4.51
Dividends per share (pence)	2.63	3.08	3.33	1.00	1.20

Profit by activity (£m)



Share price pence



Gulf bid for Clyde escapes MMC referral

Tom Stevenson
City Editor

Gulf Canada's £432m bid for Clyde Petroleum was given the go-ahead by the Department of Trade and Industry yesterday, which said it had no plans to refer the offer to the Monopolies and Mergers Commission. The decision increases the pressure on Clyde to convince investors that the 105p-a-share offer represents a dramatic undervaluation of the oil producer's potential.

With two weeks to go before day 39 of the bid, the last date on which Clyde can offer new information to shareholders, attention is expected to focus on the two sides' preferred valuation methods, with one broker saying a take-out price of up to 150p a share is a possibility. Yesterday's close of 119p suggests the market expects an improved offer from Gulf or a third-party approach.

The defence being put together by Malcolm Gourlay and Roy Franklin, chairman and chief executive respectively of Clyde, is expected to focus on Gulf Canada's use of net asset value as a base for calculating the premium its bid represents. Clyde will claim that, thanks to its steady, sustainable production, it is better valued on a multiple of its current cashflow, the preferred method in the US where there are more companies with Clyde's relatively low risk, predictable production profiles.

The net asset approach favoured by Gulf has been the traditional way of valuing UK oil explorers because in the early days of the opening up of the North Sea companies often had no production and cashflow to measure. Their assets could only be measured by attributing an asset value to future, expected production.

Clyde will claim over the next two weeks that such an ap-



Defensive: Malcolm Gourlay is expected to focus on the use of net asset value as a base for calculating the bid

proach gives no credit for the skill of its management in prolonging production by buying in and discovering new oil reserves. In its first defence document recently, the company surprised analysts with a higher-than-expected estimate of reserves, put at 130 million barrels of commercially realisable reserves and 225 million of commercial and probable reserves. Those figures had shown a sharp rise despite record production levels.

As well as arguing for a higher multiple of cashflow, Clyde is expected to bring out a hastily compiled set of results for the year to 31 December.

Gulf, which last week reported acceptance of just 0.02 per cent of Clyde's shares and extended its bid until 24 January, has a week after Clyde's final defence to announce a final offer.

Any rival bid is not expected to emerge until after that date.

No Littlewoods deal, says Lanica

Patrick Toohy

Shares in Lanica Trust, formerly New Guinness Trust, are set to fall sharply this morning after the shell company vowed to remain an investment trust rather than become a vehicle for listing Littlewoods' retail businesses. Speculation about a big deal between Lanica, run by 31-year-old dealmaker Andrew Regan, and privately owned Littlewoods, the Liverpool-based pools and department store group, sent the share price soaring from 137p to as high as £20.50p in the last three months.

But in an after-hours statement issued to the Stock Ex-

change, Lanica said it knew of no reason for the substantial increase in its share price in recent months.

It added: "Lanica has managed and will continue to manage its investment portfolio in accordance with the listing rules in respect of investment companies and in accordance with the investment policy set out in the offer document for the company."

Lanica cannot invest more than 20 per cent of its gross assets in any one investment, the statement continued.

Last night shares in Lanica closed 125p lower at 1550p, still way above the 203p per share paid by Mr Regan when he

took control late last year. They have been on the slide for a week since Littlewoods took then unusual step of denying rumours of an important link, worth up to £1bn, with Lanica.

Littlewoods was said to be interested in reversing its mail order and high street businesses into Lanica to gain a stock market listing.

Instead Littlewoods revealed it was discussing a small deal to supply Lanica with goods and infrastructure for a mail order business due to be launched for the armed forces.

Earlier this week Littlewoods paid £390m to buy the Freemans mail order business from Sears,

the Selfridges-to-shoes group.

Mr Regan, son of Roger, the company doctor at Kitchen and Bathrooms group Spring Ram, paid £4.06m in cash for New Guinness after mounting an unsolicited bid last October. The company was later renamed Lanica Trust.

He made his name using a vehicle called Hobsons to buy the Co-Op's food manufacturing arm. Hobsons was then sold to Hillsdown Holdings for £121m in 1995.

At Lanica, Mr Regan has already clinched a mail order deal with the NAAFI, the armed forces' trading company, to sell non-food items to almost 250,000 service personnel.

IN BRIEF

• National Express said that fourth-quarter passenger traffic at East Midlands Airport fell by 1.9 per cent to 367,000. The total number of passengers using the airport for the whole of 1996 dropped by 3.2 per cent to 1,824,000. The company said: "The decline in passenger numbers reflects the national picture of reduced volumes of charter and inclusive tour traffic. The decline in the fourth quarter was in fact smaller than had been previously expected and reflects continued strong growth on scheduled services."

• Arjo Wiggins Appleton said its subsidiary has been found not guilty of price fixing by a US court. A executive of Appleton Papers has also been cleared of price fixing charges. The court was considering indictments by a Boston federal grand jury on charges of price fixing in the thermal paper market from mid-1991 to early 1992.

• Tele-cine Cell warned that full-year profits would be "materially below" the £1.4m achieved in the previous 12 months, sending the company's share price down by 13.5p to 40p. Investors were also warned to expect a cut in dividends.

• Rozspar, the engineering company, said it expected to meet analysts' profit expectations in the first half despite losses on two discontinued businesses. The group believed that comparative sales from continuing operations for the six months to end-December will be at least 10 per cent ahead of last year and that comparative trading profit will be up by at least 20 per cent.

• Jan Business announced several board changes. Martin Bunting is retiring as non-executive chairman, to be succeeded by Alan Jackson, currently chief executive and who founded the business in 1991 after leaving Whitbread. Stephen Lambert, finance director, becomes managing director. Colum Harrington will succeed Mr Lambert.

• Asquay has agreed to sell 2.2 million shares in UK Estates following the failure of its takeover bid earlier this week. The shares are being sold at 30p each, raising £660,000, to Close Brothers Corporate Finance. The shares represent a 5.92 per cent stake.

Company Results

	Turnover	Pre-tax	EPS	Dividend
Balysch Gold (p)	£798,000 (£627,000)	£16.4m (£8.9m)	50c (35c)	-
Bassnet Group (p)	£23,86m (£22.71m)	£724,000 (£13.4m)	27p (22.1p)	0.5p (nil)
Bentley Judds (p)	£9,91m (£9.12m)	£1,30m (£565,000)	0.35p (3p)	1.5p (1.15p)
Stanley Leisure (p)	-	£7.4m (£6.1m)	4.51p (£3.76p)	1.2p (1p)
Viewline (p)	£10,98m (-)	£547,810 (-)	24.5p (-)	-
Whitbread (p)	-	£1,68m (£1.52m)	10.94p (£9.89p)	4.4p (4.02p)

(p) - Final (f) - Interim (n) - Nine months

Bass starts talks to buy Czech brewer

Tom Stevenson
City Editor

Bass said yesterday it was forcing the pace of its ambitions in the Czech Republic, by opening discussions with one of the country's largest banks which has staunchly opposed the brewer's expansion plans.

Having increased its stake in the Radegast brewery last week from 20 to 33 per cent, Bass said it was confident of striking a deal before the end of the year with one of the brewer's other main shareholders. To do so it would have to strike a deal with IPB, the bank which owns 34 per cent of Radegast and has so far opposed the acquisition by Bass of a stake from another Czech investor.

Bass country manager Mervyn Childs said yesterday that because there were few shares left available on the open market, Bass was now focusing its attention on IPB. "I hope that our discussions will lead to something, certainly within the course of this year," Mr Childs said.

Bass already owns 51 per cent of Prazske Pivovary, which controls about 14 per cent of the local market compared with the 16 per cent share claimed by Radegast. It has ambitions to create a group with around 25 to 30 per cent of the Czech domestic beer

market and is understood to favour an eventual merger between the two brewers.

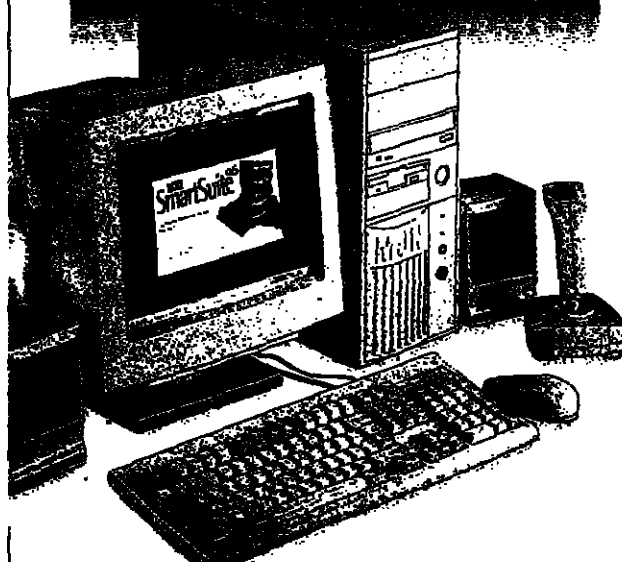
Bass moved into the Czech beer market in 1993 when it took a 34 per cent stake in Prague Breweries. The British group now also owns majority shares in two small regional Czech breweries, Vratislavice and Ostrava.

Apart from moving into the Czech market, which boasts the world's highest per capita beer consumption, Bass has been keen to push Czech beers in western Europe and Russia.

Bass and IPB have become the two largest shareholders in the Czech brewing industry, which is barely profitable but is considered to have big export potential. Prague Breweries, whose premium brand is Staropramen, has seen exports surge to 290,000 hectolitres in 1996 from 109,000 hectolitres in 1994.

Whoever wins control of Radegast, the most profitable and efficient of the big brewing groups, will have dominant role in the industry and the largest portfolio of brands.

Bass is moving to expand its overseas operations to diversify away from the mature UK beer market, where it is currently embroiled in a Monopolies Commission investigation into its planned takeover of Carlsberg Teltel.

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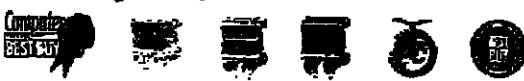
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business

Politicians still think they can fine-tune the economy. This is folly

Some time during the course of today when the Bank of England conducts its money market operations it should become clear whether or not Kenneth Clarke has agreed to an increase in interest rates this month. If he has decided against it, one of the reasons is likely to have been the need to wait for the first estimate of gross domestic product in the final quarter of 1996, a figure due to be published at the end of the month.

If it shows the economy grew by as much as or more than in the third quarter, when GDP rose by 0.7 per cent, it could well trigger an increase in the cost of borrowing next month. For the economy's trend rate of growth is thought to be about 2.25-2.5 per cent a year, or about 0.6 per cent a quarter. Faster growth is likely to fuel inflationary pressure, requiring a rise in interest rates to take the froth off the economy. If the quarterly change in GDP is a fraction of a percentage point too high, we are likely to be paying more for our mortgages soon.

An essay in the latest issue of *Economic Trends*, one of the monthly publications of the Office for National Statistics, sheds an intriguing light on the use of economic statistics in policy decisions. The author, Henry Neuberger, explains how the national accounts were developed precisely for the purposes of policy-making. The first attempt to construct national accounts with policy in mind was made by economist JM Keynes in his paper "How to Pay for the War" in 1940, in which he tried to assess the economy's taxable capacity. As the following year's Budget White Paper noted: "During 1940 the resources devoted to personal consumption and to the demands of central government and local authorities together exceeded the resources available from the national income." Keynesian economists during the subsequent decades came to regard the national statistics as

the tools that enabled government to read off the required levels of its tax and spending plans. One standard text of the 1960s said: "We should approach the economic system as an engineer approaches a complicated piece of machinery." However, the habit of fine-tuning policy generated by this approach was subsequently discredited among academic economists. The economy is just not that mechanistic. There are unexpected shocks, people's behaviour changes over time. And what's more, the statistics are sometimes wrong.

One of the most notorious cases was the under-reporting of exports in the 1960s and 1970s. This error had a profound impact on economic policy, for it led a generation of economists to believe that the balance of payments was a serious constraint on British growth. The government could not allow too much expansion without running into the trade buffers with imports running too far ahead of exports. The high hopes for the management of the economy crumbled into despair because of the stop-go cycle that resulted.

Even though the error was uncovered during the 1970s, the balance of payments remained the bugbear of the 1974-79 Labour government. A balance of payments crisis turned Denis Healey back from Heathrow Airport to meet the International Monetary Fund 20 years ago. The IMF prescribed tough public spending cuts as a condition of the emergency loan, and the winter of discontent followed two years into the cuts.

But the monstrous balance of payments deficit that triggered the crisis was later revised away by the statisticians. Today's estimate of the 1975 deficit is £1.5bn, or



Diane Coyle

Setting policy is hampered not only by the need to rely on forecasts - having to steer using the rear-view mirror - but also by uncertain data

about 1.5 per cent of GDP. The scale of the deficit relative to the size of the economy was bigger during the early 1990s.

The late 1980s provide another example. There are three ways of measuring GDP: add up

output, add up incomes or add up expenditure. They ought to be the same, but never are, and in the late Eighties the gap between the measures grew significantly. When the scale of the Lawson boom became clear, the Treasury blamed over-optimistic policy on the unreliability of the GDP measures. It had been impossible to tell how close the economy was to its capacity ceiling, according to an internal inquest into the episode.

The Treasury report in 1989 concluded that one problem had been reductions in spending on gathering statistics. Extra effort and resources put into collecting national accounts data since then mean that the size of revisions to GDP and balance of payments figures is dramatically less than before. As the chart shows, a gap between the three measures of GDP has reopened in recent quarters, but it is nothing like as big as it was in the late 1980s.

Even so, the fact that there are any revisions at all presents a difficulty in the current framework of policy, which involves making a judgement about the precise state of the economy month by month. The income measure of GDP fell in the third quarter of 1996, whereas the output measure jumped. The ONS focuses on the output measure as the most reliable short-term indicator but even so jiggles the published number, which does not add up to the sum of its components.

And the revisions, small as they are, point to different interest rate decisions. For example, when Mr Clarke decided to cut interest rates last June, GDP growth in the first quarter of 1996 was estimated to be 0.4 per cent. The latest figures put it at 0.6 per cent. When he increased base rates in December, the published third-

quarter change in GDP was 0.8 per cent - now revised down a little to 0.7 per cent.

Martin Weale, director of the National Institute of Economic and Social Research, and chairman of a statistics users group, is researching the question of whether or not it would be better for the Chancellor and Governor of the Bank of England to meet quarterly rather than monthly. But he would also like the ONS to put health warnings on different categories of statistics. "If you knew there was a margin of uncertainty, you would not respond so much to the most recent data," he says.

That, at least, might be how a rational academic would react to knowing that setting policy is not only hampered by the need to rely on forecasts - having to steer using the rear-view mirror - but also by uncertain data - using the mirror to peer through a misted rear windscreen.

However, apart from the brief flirtation with pure monetarism in the early 1980s when the only thing that determined interest rates was how fast the (fairly accurately measurable) money supply was growing, policy makers have preferred to make policy as often as they can. With the current monetary arrangements, fine-tuning is back with a vengeance. Mr Clarke decides to move interest rates a quarter point because of a margin of 0.2-0.3 per cent in quarterly GDP growth to hit an inflation target two years hence.

The folly is not that statistics get revised. That is inevitable, and the UK's statisticians are better than most. It is the fact that politicians still think they can handle the economy with the precision of a mechanic following a blueprint.

Interest rates should go up this week. If they do not, they should go up next month instead. This is because most of the data over the past several months have pointed to growth well above trend. The GDP figure published between now and the next monetary meeting will not make any difference.

From Canary Wharf to Threadneedle Street

PEOPLE & BUSINESS

Our heartfelt congratulations to Peter Rodgers, our very own financial editor, who has just been appointed chief press spokesman for the Bank of England.

To be precise, Mr Rodgers will become Secretary of the Bank of England, succeeding the present incumbent, John Footman.

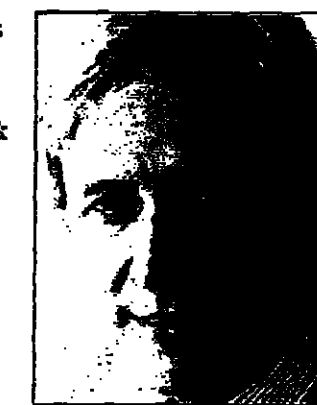
As such, Mr Rodgers will become part of the Governor Eddie George's famed "raised eyebrows", the mechanism by which the Old Lady of Threadneedle Street indicates her displeasure to City institutions with a quiet word in the right ear.

The last journalist to be hired as press officer by the Bank was Bernard Rickatson-Hart, the Bank's press officer from 1941 to 1958, who was recruited from Reuters where he was managing editor.

Under Mr Footman, an emollient pipe-smoker, the Secretary's office merged with the press office - so Mr Rodgers becomes the first fully-fledged Secretary to be hired from outside. Montagu Norman, the celebrated Governor of the Bank earlier this century, is said to have offered the job to TE Lawrence, Lawrence of Arabia, who refused. Kenneth Grahame, author of *Wind in the Willows* was also a Secretary.

Mr Rodgers, 53, read natural sciences at Cambridge before joining the *Oxford Mail* as a trainee journalist in 1966. Since then he has worked on the *Sunday Times*, *Guardian* and the *Independent*, which he joined seven years ago. He assures me he won't be required to wear a pink frock coat, and bafflingly declined to comment about the direction of interest rates.

The appointment of Richard Harvey as successor to Allan Bridgewater as group chief executive of Norwich Union confirms once again that Mr



Peter Rodgers is heading to the Bank of England

Harvey is an ambitious man. He recently told one of my colleagues that when he goes on holiday, he doesn't really see it as relaxation.

He and his family like to set themselves goals or targets at the beginning of each day. Norwich employees can anticipate a fun time ahead.

The Budgetary Society is launching its own Visa card. We've had credit cards issued by everyone from the Law Society to football clubs, even by London Irish Rugby Club.

Now budge lovers can "demonstrate their love for budgeters to the outside world" as well as the chance to take advantage of a credit card that compares very favourably with those available from the high street banks. So says the card's issuer, American-owned Barclay's Bank's financial services arm, and previously head of compliance at the PIA.

As a child, Mike had a pet budge which liked to perch on top of a door. One day an insurance salesman called, slammed the door shut - and squashed the beloved budge stone dead.

Mike was only told the truth years later by his mother.

Friends have speculated whether this early, traumatic contact with an insurance salesman has caused in part his vocation for regulating them, as a form of revenge. He's certainly missed a trick letting Beneficial Bank get the coveted budge card account.

Ian Byatt, water regulator, manages to charm the pants off MPs on the Trade and Industry Select Committee (not literally, I hasten to add). As he's being grilled about the water industry one MP remarks that Mr Byatt is drinking bottled mineral water.

To which Mr Byatt gleefully points out that he's recently insisted on tap water before the Environment Select Committee. "I drink tap water all the time myself," he says, to which one MP mutters: "That explains everything."

BAT Industries and Imperial Tobacco might like to take a leaf out of Philip Morris's book. The biggest cigarette maker in the world is seeking to get around new restrictions on tobacco advertising by launching its own record label.

Philip Morris has quietly been preparing a big launch of its label, Woman Thing Music, named after the ad slogan for its Virginia Slims cigarettes: "It's a woman thing."

The company plans to flood the market with loads of CDs by largely unknown female artists. The CDs will not be on sale at record stores, however.

They will be given away free with two packs of Virginia Slims in special packages, which will be available in supermarkets and other outlets.

UK companies could do the same with a band like the Spice Girls. The Nicotine Girls has a certain ring to it.

John Willcock

Foreign Exchange Rates

Country	Spot	1 month	3 months
US	1.5789	12.10	38.35
Canada	2.2515	54.49	164.56
Germany	2.1654	59.61	220.93
France	6.5992	217.98	640.68
Italy	2.9532	18.34	55.58
Japan	166.42	86.91	281.27
Spain	167.17	21.18	65.41
Belgium	54.983	5.10	15.46
Netherlands	10.12	222.77	658.45
Norway	2.9635	82.41	240.22
Sweden	1.194	5.1	15.46
Switzerland	2.2989	76.79	239.22
Australia	2.1658	15.15	45.25
Hong Kong	2.2777	83.52	240.83
Malaysia	4.1482	0.0	0.0
New Zealand	2.3828	64.71	195.68
Saudi Arabia	2.2859	0.0	0.0
Singapore	2.3589	0.0	0.0

Interest Rates

UK	600%	Germany	250%	US	8.75%	Japan	0.50%
Discount	3.5%	Discount	3.5%	Discount	5.00%	Discount	3.00%
Prime	5.75%	Prime	4.75%	Prime	6.25%	Prime	3.25%
10-Day Repo	6.25%	10-Day Repo	6.25%	10-Day Repo	6.25%	10-Day Repo	6.25%

Bond Yields

Country	5yr yield %	10yr yield %	Country	5yr yield %	10yr yield %
UK	5.75%	7.87%	Netherlands	8.75%	4.48%
Germany	5.75%	6.50%	Spain	9.00%	5.85%
France	5.75%	1.50%	Italy	8.25%	6.48%
Italy	5.75%	1.50%	Belgium	5.75%	4.42%
Australia	5.75%	1.50%	Sweden	5.75%	4.42%
Japan	5.75%	1.50%	Switzerland	5.75%	4.42%

Money Market Rates

Country	Overnight	7 Day	1 Month	3 Months	6 Months	1 Year
UK	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
Germany	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
France	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%

Life Financial Futures

Contract	Settlement price	High/Low	Est. Conts	Open Interest
Long Gilt	102.25	102.25	102.25	102.25
Short Gilt	102.25	102.25	102.25	102.25
Long Euro	102.25	102.25	102.25	102.25
Short Euro	102.25	102.25	102.25	102.25

Industrial Metals

Commodity	Price	Change
Aluminum	1.5789	12.10
Steel	2.2515	54.49
Copper	2.1654	59.61
Gold	6.5992	217.98

Precious Metals

Commodity	Price	Change
Gold	2.2515	54.49
Silver	2.1654	59.61
Palladium	2.1654	59.61
Platinum	2.1654	59.61

Agricultural

Commodity	Price	Change
Wheat	2.2515	54.49
Corn	2.1654	59.61
Soybeans	2.1654	59.61
Cotton	2.1654	59.61

Other Spot Rates

Country	Spot	1 month	3 months
Argentina	1.5789	12.10	38.35
Australia	2.2515	54.49	164.56
Brazil	2.1654	59.61	220.93
Canada	6.5992	217.98	640.68
China	2.9532	18.34	55.58
Denmark	166.42	86.91	281.27
India	167.17	21.18	65.41
Indonesia	54.983	5.10	15.46
Israel	10.12	222.77	658.45

Tourist Rates

Country	Spot	1 month	3 months
Australia	2.2515	54.49	164.56
Canada	2.1654	59.61	220.93
France	6.5992	217.98	640.68
Germany	2.9532	18.34	55.58
Italy	166.42	86.91	281.27
Japan	167.17	21.18	65.41
Spain	54.983	5.10	15.46
Sweden	10.12	222.77	658.45
Switzerland	2.9635	82.41	240.22

Commodity Indices

Index	Value	Change
Oil	2.2515	54.49
Grain	2.1654	59.61
Metals	2.1654	59.61
Stocks	2.1654	59.61

Latest Unit Trust Prices

Unit Trust	Price	Change
Unit Trust 1	2.2515	54.49
Unit Trust 2	2.1654	59.61
Unit Trust 3	2.1654	59.61
Unit Trust 4	2.1654	59.61

Unit Trusts

Unit Trust	Price	Change
Unit Trust 1	2.2515	54.49
Unit Trust 2	2.1654	59.61
Unit Trust 3	2.1654	59.61
Unit Trust 4	2.1654	59.61

Unit Trusts

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Only a game?

Ken Jones on the upheaval at Newcastle United, page 26

sport

The dictator

Tim Henman takes the hard-line approach, page 26

Bowyer 'has an attitude problem'

Football
ROB KING

Lee Bowyer has been urged to clean up his act as George Graham's hard-line Leeds United hung on for an FA Cup replay at Crystal Palace on Tuesday. Graham accused Palace of diving and criticised the referee Roger Dilkes for giving two penalties.

Dave Bassett, the Palace manager, countered with complaints about Premiership gamesmanship which put the Manchester official under intense pressure.

Bassett could not believe the antics of Bowyer, who stoked up the temperature at every opportunity. The brief career of the England Under-21 midfielder has not been short of controversy on and off the field and Bassett said: "He's definitely got an attitude problem."

"We had problems with him when he was at Charlton last year, he was roaring around, falling all over the place."

"He's a good player. I like him, he's got instincts about him. I couldn't believe how long he went before he was booked."

"He was berating the referee and he pushed Hopkins in the chest. Even after he was booked he carried on fouling."

"But you know Leeds do that. They pressurise the referee. We've had them watched and we know they go down looking for free-kicks and everything else."

"I couldn't believe the pressure the referee was put under, the number of decisions that were contested."

Mr Dilkes' evening exploded two minutes from time when he pointed to the Leeds spot for the second time and was surrounded by furious players for several minutes of protest.

When that subsided, Nigel Martyn crowned his return to Selhurst Park by pouncing on Bruce Dyer's poor kick, the Palace player then blasting the rebound wide.

"He's a good goalkeeper, he should be in the England team," Graham said. "I didn't realise that until I worked with him. He's an exceptional goalkeeper." Dyer had already beaten Martyn once after five minutes with his first penalty, with Leeds

also contesting that decision, given for a push by Paul Beesley. That was sandwiched by two visiting goals inside the first eight minutes - by Brian Deane and then a spectacular own goal by the Norwegian, Leif Andersen, which seemed set to put Leeds through to face Arsenal or Sunderland.

Carl Veart headed a fine second-half equaliser, though, and Palace might have had at least one other penalty.

Graham insisted Bassett's men were diving, and said: "So many people were going down in the box I'd like to see us copy Italian football and book the player if the referee doesn't think it's a penalty."

The Leeds manager, who denied making a £4m bid for Celtic's Portuguese striker, Jorge Cadete, admitted to a certain relief to escape with a replay. Bassett went further: "If I was George, I'd be very happy to get on that coach still in the FA Cup because they should have been out."

Oyvind Leonhardsen has rejected suggestions that he is being lined-up for a big-money move to Italy - and insists he remains fully committed to the Wimbledon cause.

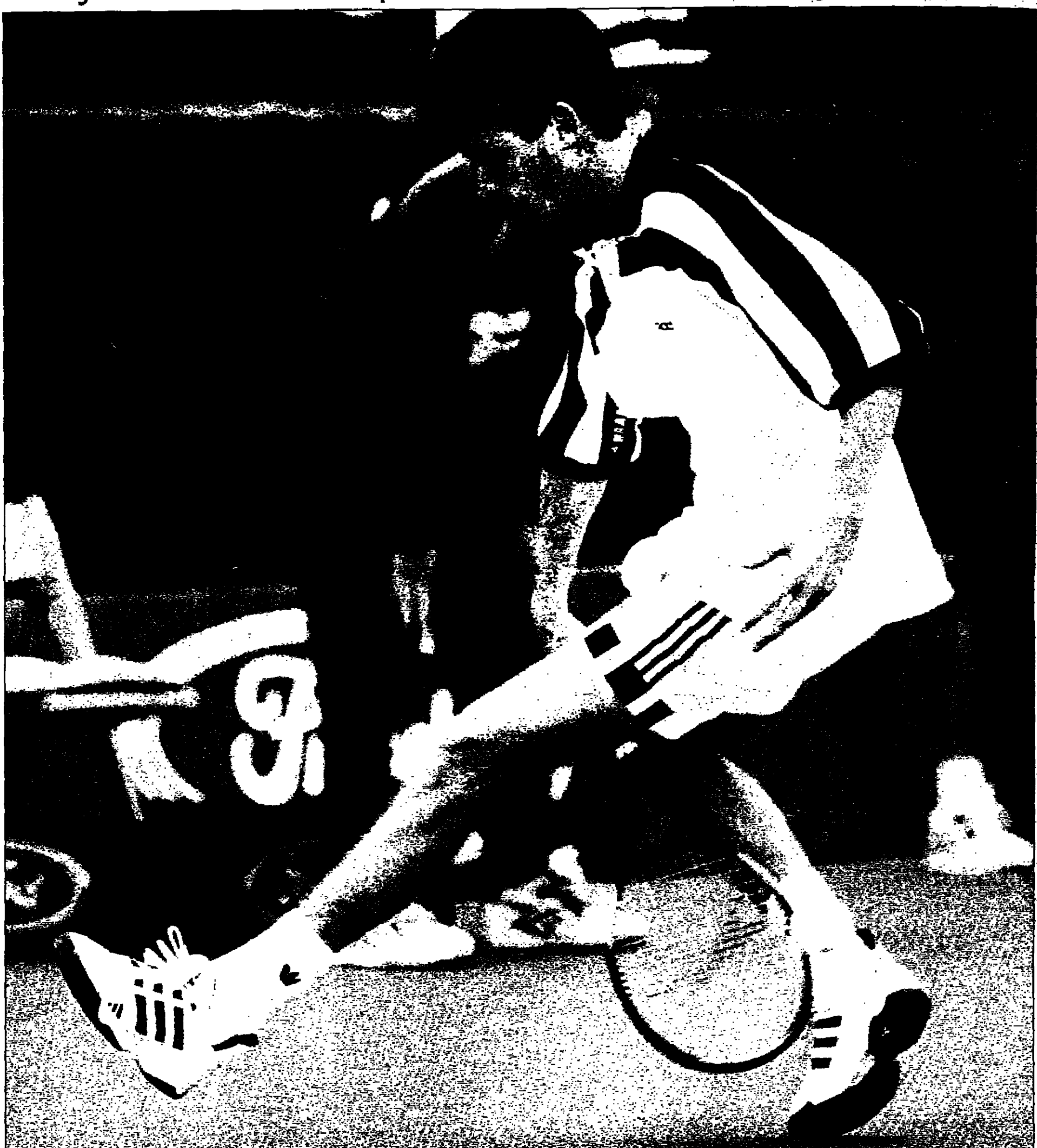
The Norwegian midfielder has been in brilliant form as the Dons have put together a sequence of just one defeat in 24 matches to move up to fifth in the Premiership, five points behind the leaders Liverpool with three games in hand, and into the semi-finals of the Coca-Cola Cup.

After last week's victory in the Coca-Cola Cup over Bolton, Joe Kinnear, the Wimbledon manager, said he had received offers of £5m from Italian clubs. Leonhardsen, who again impressed in Tuesday's 1-1 FA Cup third-round draw at Crewe, said: "These stories about Italy are nothing more than rumours and I think the manager mentions them just to keep me on my toes."

"I am very happy to have settled in at Wimbledon. The Premiership suits my style and we are doing well as a team, so I have no reason to look elsewhere."

Leonhardsen, bought for £660,000 from Rosenborg Trondheim in November 1994, has two years of his current contract left.

Tricky Henman takes up and under route to victory down under



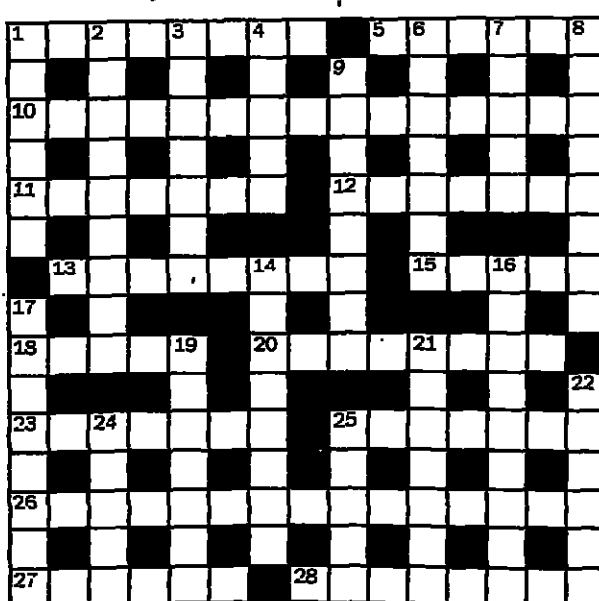
Tim Henman, the British No 1, fires a return backwards and between his legs on his way to a 6-3, 6-3, 6-4 victory over the Frenchman Guillaume Raoux in the Australian Open yesterday. Report, page 26. Results from Melbourne, page 27. Photograph: Steve Holland/AP

THE INDEPENDENT CROSSWORD

No. 3197, Thursday 16 January

By Mavis

Wednesday's solution



NOTRODS MANIPUL
A B V T A N L N
T M O E T A N G P A R I
L U R I N E T I
E L B O W R E S T R A I N T
S L O R H N L
S P E C U L A T E M O U S E
N M E O M
A P R I D U N E N A B L E
N O S O L R
T O O T H P I C K L O O S E
I F E N N O N C
W A I T I N G F O R G O D O T
A N N I W U E O
R O B U E R Y S P E N S E R

ACROSS
1 Shortage of mark hitting EC (8)
5 Like a condiment? I tend to abstain, vocally (6)
10 Stupidly, I disturb an onion sauce (15)
11 Pasty's a frightful tattler (7)
12 Drinker has one on the house, very quietly consumed (7)
13 Composer embracing church's fine example (8)
15 Section of a la mode cornice? (5)
18 Grieve for the aristocracy? (5)
20 River and pines dappled in right tint of dawn (4-4)
23 Clashes with medico (in films) (7)

25 Rifle container held in trust (7)
26 Ensemble with fourth of octets crates effect in the house (5-5-5)
27 Note river's current (6)
28 Wintry month patterns, forming falls (8)
DOWN
1 Religion is so inwardly intimate (6)
2 Steals paintings (9)
3 An adept with any brogue (7)
4 Card, one slotted into run (5)
6 Hundred? Inclined to be crowded (7)
7 Box filled with women's fabric (5)
8 Study dish without recipe? Just the reverse (8)

9 Snaps of river framed by Northerners (8)
14 With last of morse fading, heard vessel in distress (8)
16 Teach for a term (9)
17 Wine with reduced strength consumed within (8)
19 Ships of Northern pirates, it's said (7)
21 Study a country the Spaniards knocked up (7)
22 Holiday bay (6)
24 Mass picked up flag? Goodness! (5)
25 Hundred pound in reserve (5)

City slam Brentford over late call-off

As two more FA Cup third-round games were lost to the weather last night, furious Manchester City have protested to the Football Association over the circumstances surrounding the last-minute postponement of their tie at Brentford on Tuesday.

Last night's tie between Coventry City and Woking and the replay between West Ham and Wrexham were postponed owing to frost and fog respectively.

On Tuesday referee Mick Fletcher ruled Brentford's Griffin Park pitch unplayable just two hours before kick-off, with around 1,000 City fans making the 200-mile journey to London.

The Maine Road club, whose directors only found out about the referee's decision via the radio as they travelled to the match, are unhappy Brentford failed to plan for the freeze setting in.

"The situation is unacceptable to us. I have made a strong protest to the FA and made my point to Brentford," the City secretary, Bernard Halford, said.

"There should have been more consideration given to the prevailing weather conditions. And consideration should certainly have been given to the fans who had to travel long dis-

tances with all the costs involved, and to getting the referee there well in advance."

West Bromwich-based referee Fletcher arrived at the ground three hours before kick-off and, after two inspections, ruled the pitch unplayable. He admitted: "Brentford officials were apparently trying to contact me in the afternoon. I was on my way but don't have a mobile telephone."

"I left home at 1500hrs and was told the pitch was playable then. But I don't think Brentford were anticipating the temperature would drop so severely. Nobody contacted me and I didn't know anything about the pitch inspection until I arrived at the ground. It's up to the club to get in touch with me."

"At 17.30 I looked at the pitch and one side was badly affected by frost. I appreciate the fans had travelled a long way, but we must take note of the weather conditions, and players' safety is first on the agenda."

Halford added: "The first check should have been made on Monday night. If the referee could not get there, the FA should have appointed someone else to go. The pitch should have

been inspected at 1100 on Tuesday and the referee should have been in contact with the weather centre at the same time."

"He would have been told what the weather would be in London during the course of the day. I believe he would have been told it would freeze in the afternoon. That would have helped him make his decision, but I also believe Brentford have left themselves open to complaint."

Brentford and City were not the only ones to suffer. Luton's tie against Bolton was called off less than an hour before kick-off, and referee Phil Richards blamed a freak drop in temperature when he postponed the match between Watford and Oxford United minutes before the teams were set to take the field at Vicarage Road.

Referee Paul Alcock came under fire from both sides after the game between Gillingham and Derby was abandoned after 66 minutes at Priestfield Stadium. Alcock, who had inspected the pitch from 1700 until 1920 before giving the match the go-ahead, said: "When we came out for the second half, a quarter of the field was affected by frost and, to me, it looked dangerous."

Australians win marathon match

Tennis

The Australians Jon Ireland and Wayne Arthurs beat the Italian pair of Cristian Brandi and Filippo Messori, 6-3, 3-6, 29-27, with the last set the longest in the event's history, eclipsing a 23-21 set in 1990.

The first-round match was still a long way from rivaling a quarter-final in the US Indoor

Championship in 1968 between Britain's Mark Cox and Bobby Wilson and the Americans Ron Holmberg and Charlie Pasarell, which totalled 144 games. That in turn fell short of the world record of 147 games - 3-6, 49-47, 22-20 - at a 1967 invitational at Newport, Rhode Island. Aggressive Henman, page 26

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